

TRADE AND INTERNATIONAL ECONOMIC POLICY REFORM ACT OF 1987

APRIL 7, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DE LA GARZA, from the Committee on Agriculture,
submitted the following

REPORT

[To accompany H.R. 3, which on January 6, 1987, was referred jointly to the Committees on Ways and Means, Agriculture, Banking, Finance and Urban Affairs, Education and Labor, Energy and Commerce, and Foreign Affairs]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 3) to enhance the competitiveness of American industry, and for other purposes having considered the same, report favorably on those provisions of the bill within the jurisdiction of the Committee with an amendment and recommend that the provisions as amended be agreed to.

The amendment is as follows:

Strike out title VI and insert in lieu thereof the following:

TITLE VI—AGRICULTURAL TRADE

Subtitle A—Improvement of Agricultural Trade Policy and Market Development Activities

CHAPTER 1—DEPARTMENT OF AGRICULTURE OPERATIONS

SEC. 601. PURPOSE OF CHAPTER.

It is the purpose of this chapter to increase the effectiveness of the Department of Agriculture—

(1) in agricultural trade policy formulation and implementation; and

(2) in assisting United States agricultural producers to participate in international agricultural trade; by strengthening the operations of the Department of Agriculture and related entities.

SEC. 602. REORGANIZATION STUDY.

The Secretary of Agriculture shall study the reorganization proposal recommended by the National Commission on Agricultural Trade and Export Policy and other proposals for improvement of current management of international and trade activities of the Department of Agriculture. To assist the Secretary in the study, the Secretary shall appoint a private sector advisory committee of not less than 4 members, who shall be appointed from among individuals representing farm and commodity organizations, market development cooperator organizations, and agribusiness. The Secretary shall report the findings of the study to Congress, together with the views and recommendations of the private sector advisory committee, not later than April 30, 1988.

SEC. 603. AUTHORIZATION OF ADDITIONAL APPROPRIATIONS.

There are authorized to be appropriated for the Foreign Agricultural Service of the Department of Agriculture, in addition to any sums otherwise authorized to be appropriated by any provision of law other than this section, \$22,500,000 for fiscal year 1987, \$27,500,000 for fiscal year 1988, \$32,500,000 for fiscal year 1989, and \$32,500,000 for fiscal year 1990, of which—

(1) in each such fiscal year, \$4,500,000 shall be for expansion of the agricultural attaché service;

(2) in each such fiscal year, \$1,000,000 shall be for the expansion of international trade policy activities of the Foreign Agricultural Service;

(3) in each such fiscal year, \$2,000,000 shall be for the enhancement of the Foreign Agricultural Service worldwide market information system; and

(4) \$15,000,000 in fiscal year 1987, \$20,000,000 in fiscal year 1988, \$25,000,000 in fiscal year 1989, and \$25,000,000 in fiscal year 1990 shall be for expanded foreign market development.

SEC. 604. INCREASED AUTHORIZED PERSONNEL LEVEL.

(a) *IN GENERAL.*—To ensure that the agricultural export programs of the United States are carried out in an effective manner, the authorized number of personnel for the Foreign Agricultural Service shall not be less than 900 full-time employees during each of the fiscal years 1987 through 1990.

(b) *SENSE OF CONGRESS.*—It is the sense of Congress that the personnel ceiling provided for in subsection (a) will—

(1) permit the Foreign Agricultural Service to effectively carry out its current program and support activities, including programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), and title XI of the Food Security Act of 1985 (P.L. 99-198; 99 Stat. 1465-1503); and

(2) provide resources for other activities of the Foreign Agricultural Service as authorized in this title.

SEC. 605. ESTABLISHMENT OF AN OFFICE TO MONITOR TRADE PRACTICES.

(a) **ESTABLISHMENT WITHIN THE DEPARTMENT OF AGRICULTURE.**—The Secretary of Agriculture shall establish an office within the Department of Agriculture to carry out the duties described in subsection (b) under the direction of the Under Secretary of Agriculture for International Affairs and Commodity Programs.

(b) **DUTIES.**—The office established under subsection (a) shall—

(1) continuously monitor and study trade practices carried out by other countries to promote the export of agricultural commodities and products; and

(2) submit quarterly reports of its findings to the Secretary of Agriculture.

(c) **REPORTING BY THE SECRETARY.**—(1) Within 15 days after receiving a report under subsection (b), the Secretary of Agriculture shall submit such report to the committees listed in paragraph (2), together with the Secretary's findings and recommendations with respect to the level of subsidies provided by other countries and the United States to promote the export of agricultural commodities and products.

(2) Items described under paragraph (1) shall be submitted to—

(A) the Committee on Agriculture, Nutrition, and Forestry, the Committee on Foreign Relations, and the Committee on Finance of the Senate; and

(B) the Committee on Agriculture, the Committee on Foreign Affairs, and the Committee on Ways and Means of the House of Representatives.

SEC. 606. ESTABLISHMENT OF AN OFFICE TO PROVIDE ASSISTANCE TO VICTIMS OF UNFAIR TRADE PRACTICES.

(a) **ESTABLISHMENT WITHIN THE DEPARTMENT OF AGRICULTURE.**—The Secretary of Agriculture shall establish an office within the Department of Agriculture to carry out the duties described in subsection (b) under the direction of the Under Secretary of Agriculture for International Affairs and Commodity Programs.

(b) **DUTIES.**—The office established under subsection (a) shall take the following actions with respect to United States citizens and organizations damaged by unfair agricultural trade practices and policies:

(1) The Office shall assist such persons in preparing cases before—

(A) the United States Trade Representative;

(B) the International Trade Commission;

(C) the United States Department of Commerce;

(D) the Court of International Trade; and

(E) any other similar agency.

(2) The Office shall provide and update information to such persons regarding the incidence and severity of such practices and policies.

(3) The Office shall inform such persons of any adverse effect on them caused by such practices and policies of which such persons are not aware.

(4)(A) The Office shall report information relating to such unfair trade practices and the effects of such practices to the appropriate Federal agencies, together with a recommendation

by the Secretary of Agriculture with regard to what actions, if any, should be initiated under the trade laws.

(B) On receipt of such information and recommendation, the appropriate Federal agencies shall consult with the Secretary of Agriculture with regard to what actions, if any, will be initiated and the reasons for such actions or for not taking any action.

(c) **REPORT.**—The Secretary of Agriculture shall include, in the reports described in section 605(c), reports of the assistance provided under this section.

SEC. 607. LONG-TERM AGRICULTURAL TRADE STRATEGY REPORTS.

(a) **PREPARATION; MATTERS TO BE INCLUDED.**—(1) The Secretary of Agriculture shall prepare annually, and the President shall submit together with the budget for each fiscal year, a Long-Term Agricultural Trade Strategy Report establishing recommended policy goals for United States agricultural trade and exports, and recommended levels of spending on international activities of the Department of Agriculture, for 1-year, 5-year, and 10-year periods, beginning on October 1 of such fiscal year. Each such report shall include the following:

(A) Findings with respect to trends in the comparative position of the United States and other countries in the export of agricultural commodities and products, organized by major commodity group and including a comparative analysis of the cost of production of such commodities and products.

(B) Findings with respect to new developments in research conducted by other countries that may affect the competitiveness of United States agricultural commodities and products.

(C) Findings and recommendations with respect to the movement in nonmarket economies of United States agricultural commodities and products.

(D) As appropriate, the agricultural trade goals for each agricultural commodity and value-added product produced in the United States for the period involved, expressed in both physical volume and monetary value.

(E) Recommended Federal policy and programs to meet the agricultural trade goals.

(F) Recommended levels of Federal spending on international programs and activities of the Department of Agriculture to meet the agricultural trade goals.

(G) Recommended levels of Federal spending on programs and activities of agencies other than the Department of Agriculture to meet the agricultural trade goals.

(H) Recommended long-term strategies for growth in agricultural trade and exports—

(i) taking into account United States competitiveness, trade negotiations, and international monetary and exchange rate policies; and

(ii) including specific recommendations with respect to export enhancement programs (including credit programs and export payment-in-kind programs), market development activities, and foreign agricultural and economic development assistance activities needed to implement such strategies.

(2) Provisions of each Long-Term Agricultural Trade Strategy Report that relate to recommended levels of spending on international activities of the Department of Agriculture for the upcoming fiscal year shall be treated as the President's annual budget submission to Congress for such programs for such fiscal year, and shall be submitted in addition to the budget request for other programs of the Department of Agriculture for such fiscal year.

(3) The President shall include in each Long-Term Agricultural Trade Strategy Report recommendations for such changes in legislation governing international programs of the Department of Agriculture as are required to meet the long-term goals established in the Report.

(b) IDENTIFICATION OF CHANGES THAT MAY AFFECT PREVIOUS REPORTS.—The President, in each succeeding annual Long-Term Agricultural Trade Strategy Report after the first such report, shall identify any such recommendations that might modify the long-term policy contained in any previous such report.

SEC. 608. DEPARTMENT OF AGRICULTURE CONTRACT AUTHORITY FOR INDIVIDUALS ABROAD.

The Secretary of Agriculture may contract with individuals outside the United States for personal services to be performed outside the United States. Such individuals shall not be regarded as employees of the United States Government under any law, including any law administered by the Office of Personnel Management.

SEC. 609. COOPERATOR ORGANIZATIONS.

(a) SENSE OF CONGRESS.—It is the sense of Congress that the foreign market development cooperator program of the Foreign Agricultural Service, and the activities of individual foreign market cooperator organizations, have been among the most successful and cost-effective means to achieve the objective of expanded United States agricultural exports. Congress reaffirms its strong support of the program and of the cooperator organizations. The Administrator of the Foreign Agricultural Service and private sector should work together to ensure that the program, and the activities of cooperator organizations, are expanded in the future.

(b) COMMODITIES FOR COOPERATOR ORGANIZATIONS.—(1) The Secretary of Agriculture may make available to cooperator organizations agricultural commodities owned by the Commodity Credit Corporation, which shall be used by such cooperators in projects designed to expand markets for United States agricultural commodities and products.

(2) Commodities made available to cooperator organizations under this subsection shall be in addition to, and not in lieu of, funds appropriated for market development activities of such cooperator organizations.

(c) USE OF FUNDS AND COMMODITIES IN DEFENDING CERTAIN COUNTERVAILING DUTY ACTIONS.—Section 1124 of the Food Security Act of 1985 (7 U.S.C. 1736s) is amended by—

(1) in paragraph (1) of subsection (b), striking out "Funds" and inserting in lieu thereof "Except as provided in paragraph (3), funds"; and

(2) inserting after paragraph (2) of subsection (b) the following:

"(3) Funds or commodities made available for use under this section shall be used by the Secretary to assist organizations consisting of producers or processors of United States agricultural commodities, in such amounts as determined to represent reasonable expenses incurred by them, in defending countervailing duty actions instituted after January 1, 1986, in foreign countries to offset the benefits of the agricultural programs provided for under the Agricultural Act of 1949 or this Act. In no event may such assistance exceed \$500,000 for the defense of any one countervailing duty action."

SEC. 610. SENSE OF CONGRESS—LAND GRANT COLLEGES AND UNIVERSITIES.

It is the sense of Congress that—

(1) land grant colleges and universities (as defined in section 1404(10) of the National Agricultural Research, Extension, and Educational Policy Act of 1977 (7 U.S.C. 3103(10)) should encourage the study and career objective of international marketing of agricultural commodities and products;

(2) marketing complements production, and international agricultural marketing specialists are needed in a globally competitive world; and

(3) enhanced foreign marketing of United States agricultural commodities ultimately will help relieve stress in the rural economy.

CHAPTER 2—RESPONSIBILITIES OF THE SECRETARY OF AGRICULTURE AND RELATED PROVISIONS

SEC. 611. TECHNICAL ASSISTANCE IN TRADE NEGOTIATIONS.

The Secretary of Agriculture shall provide technical services to the United States Trade Representative on matters pertaining to agricultural trade and with respect to international negotiations on issues related to agricultural trade.

SEC. 612. REPORTING BY THE SECRETARY OF AGRICULTURE.

(a) REPORT ON EXPORT CREDIT AND OTHER TRADE ASSISTANCE.—Not later than December 31, 1987, the Secretary of Agriculture shall submit a report to the Committee on Agriculture and the Committee on Foreign Affairs of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, on the use of authorities established under the Food for Peace Act of 1966 (7 U.S.C. 1707a et seq.), the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), and the Commodity Credit Corporation Charter Act (7 U.S.C. 714 et seq.) to provide intermediate credit financing and other trade assistance for the establishment of facilities in importing countries to—

(1) improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities and products;

(2) increase livestock production to enhance the demand for United States feed grains; and

(3) increase markets for United States livestock and livestock products.

(b) **ANNUAL REPORTING ON CERTAIN PROGRAMS.**—(1) *The Secretary of Agriculture, after consultation with the Administrator of the United States Agency for International Development, shall report annually to Congress on the extent that food aid and agriculturally-related foreign economic assistance programs of the previous year, other than direct feeding or emergency food aid programs, that are administered by Federal agencies or by nongovernmental entities serve direct market development objectives for United States agricultural commodities and products.*

(2) *The programs referred to in paragraph (1) include—*

(A) *programs under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);*

(B) *programs under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) and the Food for Progress Act of 1985 (7 U.S.C. 1736o); and*

(C) *technical and economic assistance programs carried out by the United States Agency for International Development.*

SEC. 613. ASSESSMENTS OF AGRICULTURAL TRADE BARRIERS.

(a) **IN GENERAL.**—*The Secretary of Agriculture shall—*

(1) *prepare every six months a report, by country and commodity or product, on quantitative import restrictions, unfair trade barriers, and other policies and practices of foreign governments affecting exports of United States agricultural commodities and products and on any reductions in such restrictions, barriers, policies, and practices since the last report under this section; and*

(2) *submit such report to—*

(A) *the United States Trade Representative for use in preparing the analysis and estimate required by section 181(b)(1) of the Trade Act of 1974 (19 U.S.C. 2241(b)(1)); and*

(B) *the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.*

(b) **INITIAL REPORT.**—*The Secretary of Agriculture shall file a report under this section not later than 180 days after the date of the enactment of this Act.*

SEC. 614. STUDY OF CANADIAN WHEAT IMPORT LICENSING REQUIREMENTS.

(a) **FINDINGS.**—*Congress finds that—*

(1) *Canadian importers of wheat or products containing a minimum of 25 percent wheat (except packaged wheat products for retail sale) from the United States must obtain import licenses from the Canadian Wheat Board;*

(2) *the Canadian Wheat Board requires such importers of United States wheat and wheat products to prove that the wheat or wheat products to be imported are not readily available in Canada before issuance of an import license, and therefore, for all practical purposes, such licenses are not granted by the Canadian Wheat Board;*

(3) *the licensing requirement of the Canadian Wheat Board's import licensing program results in a nontariff trade barrier on the importation of United States wheat and wheat products; and*

(4) Canada is a member of the General Agreement on Tariffs and Trade and under such agreement, member countries should eliminate import licensing programs that operate as nontariff trade barriers.

(b) *STUDY*.—To assess the effect of the Canadian Wheat Board's import licensing program referred to in subsection (a) on wheat producers, processors, and exporters in the United States, the Secretary of Agriculture shall conduct a study of the Canadian Wheat Board's import licensing program to determine—

(1) the nature and extent of the licensing requirements of the Canadian Wheat Board's import licensing program;

(2) the estimated effect of the Canadian Wheat Board's import licensing program in reducing exports of United States wheat and wheat products to Canada; and

(3) the status of efforts by the United States Trade Representative to negotiate the elimination of such requirements.

(c) *REPORT*.—The Secretary shall report, not later than 90 days after the date of enactment of this Act, the results of the study conducted under subsection (b) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

SEC. 615. JOINT DEVELOPMENT ASSISTANCE AGREEMENTS WITH CERTAIN TRADING PARTNERS.

(a) *DEVELOPMENT OF PLAN*.—With respect to any country that has a substantial positive trade balance with the United States, the Secretary of Agriculture, in consultation with the Secretary of State and (through the Secretary of State) representatives of the other country, shall develop an appropriate plan (taking into consideration the agricultural economy of such country, the nature and extent of such country's programs to assist developing countries, and other relevant factors) under which that country would purchase United States agricultural commodities or products for use in development activities in developing countries. The Secretary of Agriculture shall submit each such plan to the President as soon as it is completed.

(b) *AGREEMENT*.—The President may enter into an agreement with any country that has a positive trade balance with the United States under which that country would purchase United States agricultural commodities or products for use in agreed-on development activities in developing countries.

SEC. 616. FOOD AID AND MARKET DEVELOPMENT.

(a) *POLICY STATEMENT*.—It is the policy of the United States to use food aid and agriculturally-related foreign economic assistance programs more effectively to develop markets for United States agricultural commodities and products.

(b) *REQUIREMENTS*.—The Secretary of Agriculture shall require that, in each food assistance agreement with a foreign country under any program administered by the Secretary, the recipient country agree to give preference to United States food and food products in its future food purchases.

Subtitle B—Agricultural Export Enhancement

SEC. 621. SENSE OF CONGRESS—EXPORT ASSISTANCE PROGRAMS.

(a) **EXPANDING USE OF PROGRAMS.**—It is the sense of Congress that the Secretary of Agriculture should—

(1) allow more foreign countries to become eligible for the export enhancement program established under section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v);

(2) establish a system to reward foreign governments that eliminate trade barriers; and

(3) fully fund—

(A) the export enhancement program referred to in paragraph (1);

(B) the program, known as the Export Credit Guarantee Program (GSM-102), under which the Commodity Credit Corporation guarantees the repayment of credit extended on terms of up to 3 years in connection with the export sale of United States agricultural commodities and products;

(C) the program authorized by section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)), known as the Intermediate Export Credit Sales Program (GSM-103), under which the Commodity Credit Corporation finances export sales of United States agricultural commodities and products on credit terms of more than 3 years but not more than 10 years;

(D) the targeted export assistance program established under section 1124 of the Food Security Act of 1985 (7 U.S.C. 1736s).

(b) **APPROVAL OF WHEAT SALES TO SOVIET UNION.**—It is the sense of Congress that the President should approve the sale of wheat to the Soviet Union under the export enhancement program established under section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v).

SEC. 622. EXPORT ENHANCEMENT PROGRAM UNDER SECTION 1127 OF THE FOOD SECURITY ACT OF 1985.

(a) **PRIORITIES AND BUDGET ACCOUNTING.**—Subsection (b) of section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v) is amended by—

(1) inserting immediately after paragraph (2) the following new paragraph—

“(3) may, to the extent that agricultural commodities and products thereof are to be provided to foreign purchasers during any fiscal year, give priority to all interested foreign purchasers who—

“(A) have traditionally purchased United States agricultural commodities and the products thereof; and

“(B) continue to purchase such commodities and the products thereof on an annual basis in quantities equal to the level of purchases in a previous representative period;”;

(2) redesignating paragraphs (3), (4), and (5) as paragraphs (4), (5), and (6), respectively;

(3) striking out “and” at the end of paragraph (5) as redesignated under paragraph (2);

(4) striking out the period at the end of paragraph (6), as redesignated under paragraph (2), and inserting “; and” in lieu thereof; and

(5) adding at the end thereof the following:

“(7) shall not include (nor shall the Director of the Office of Management and Budget or the Director of the Congressional Budget Office include), for purposes of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 621 et seq.) and the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 et seq.) and commencing with fiscal year 1988, as expenditures or as budget outlays the commodity market effect of the agricultural commodities and products thereof or the generic payment certificates issued by the Commodity Credit Corporation that are used for programs authorized by this section if the commodities and products or value of the commodities and products are used to meet the purposes set forth in subsection (a)(3)(A).”.

(b) **EXTENSION.**—Subsection (i) of section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v) is amended by—

(1) striking out “1988” and inserting in lieu thereof “1990”; and

(2) striking out “\$1,500,000,000” and inserting in lieu thereof “\$2,500,000,000”.

(c) **VALUATION OF COMMODITIES DISBURSED UNDER THE EXPORT ENHANCEMENT PROGRAM.**—Section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v) is amended by adding at the end thereof the following new subsection:

“(j) For the purpose of meeting the requirements of subsection (i), the value of commodities or products distributed under this section shall be determined by using the market value of such commodities or products at the time of distribution.”.

SEC. 623. SENSE OF CONGRESS—IMPLEMENTATION OF SECTIONS 1129 AND 1167 OF THE FOOD SECURITY ACT OF 1985.

It is the sense of Congress that the Secretary of Agriculture should expedite the implementation of sections 1129 and 1167 of the Food Security Act of 1985, relating to the barter of agricultural commodities. Congress recognizes the importance of barter programs in expanding agricultural trade, and emphasizes this importance to the Secretary.

SEC. 624. EXTENSION OF AUTHORITY TO FINANCE TRANSACTIONS OF COOPERATIVES.

Section 4.20 of the Farm Credit Act of 1971 (12 U.S.C. 2208) is amended by—

(1) in the first sentence—

(A) striking out “(1)”; and

(B) striking out “; and (2) section 3.7(b) authorizing the financing of certain domestic or foreign entities in connection with the import or export activities of cooperatives which are borrowers from the banks for cooperatives,”; and

(2) in the second sentence, striking out “either provision” and inserting in lieu thereof “such provisions”.

SEC. 625. EXPORT SALES OF GOVERNMENT STOCKS AT SUBSIDIZED PRICES.

Section 1203 of the Agriculture and Food Act of 1981 (7 U.S.C. 1736i) is amended by—

(1) in subsection (c), striking out “special standby export subsidy program” and inserting in lieu thereof “programs”;

(2) striking out subsection (d) and redesignating subsection (c) as subsection (d); and

(3) inserting after subsection (b) the following new subsection:

“(c)(1) Notwithstanding any other provision of law, the Secretary shall take all feasible steps to cause the exportation, at competitive world prices, of basic agricultural commodities produced in the United States. To achieve such goal, the Secretary, if necessary, shall subsidize the price of exporting any basic agricultural commodity that the Secretary may acquire or has acquired under any price support loan program authorized by law. The aggregate value of any subsidy provided under this subsection with respect to such commodity shall not exceed the sum of—

“(A) the cost to the Government that would result from acquiring (under price support loan activities) but not selling such commodity, including the costs of transportation, storage, and maintenance of quality incurred in connection with retaining such commodity; and

“(B) the increase in tax revenue to the United States arising from the growth in the gross national product that would result from the export sales of such agricultural commodity, as estimated by the Secretary.

“(2) For purposes of paragraph (1), the term ‘basic agricultural commodity’ has the meaning given it in section 408(c) of the Agricultural Act of 1949 (7 U.S.C. 1428(c)).”

SEC. 626. SENSE OF CONGRESS—JAPANESE BEEF MARKET.

(a) FINDINGS.—Congress finds that—

(1) Japanese trade barriers result in a continuous and increasingly unfavorable balance of trade for the United States;

(2) the United States maintains a relatively open and free trade policy for imports of Japanese goods and services;

(3) Japan maintains unreasonably low quotas on imports of United States beef that are not consistent with Japan’s international obligations;

(4) in August 1984, Japan and the United States signed a 4-year beef agreement that provides for an annual increase of only 6,900 metric tons of Japanese beef imports, and includes a provision for the immediate and meaningful liberalization of the Japanese market for trade in beef from the United States;

(5) if the remaining import quotas were eliminated, the United States could supply a substantial portion of the Japanese beef market due to the strong comparative advantage of the United States in the production of beef;

(6) the United States cattle-raising industry has not been profitable since 1980;

(7) the current beef agreement with Japan expires on March 31, 1988, and negotiations for another agreement will begin this year; and

(8) even with the beef agreement, Japanese imports of United States beef fall considerably short of the market's free trade potential.

(b) *SENSE OF CONGRESS.*—It is the sense of Congress that—

(1) the United States Trade Representative should enter into negotiations to gain substantially greater access for United States beef to the Japanese market;

(2) such negotiations, in addition to meaningful market access, should also address the high Japanese tariffs, the practices of the Japanese Livestock Industry Promotion Corporation, and the means through which imported beef is distributed in Japan; and

(3) by March 31, 1988, if Japan does not show clear evidence that it is engaging in meaningful liberalization in its market for United States beef, the appropriate United States Government officials should use all available and appropriate avenues, including retaliation, to encourage Japan to open its market to United States beef imports.

SEC. 627. SENSE OF CONGRESS—KOREA'S BEEF MARKET.

(a) *FINDINGS.*—Congress finds that—

(1) the trade balance between the Republic of Korea and the United States was \$7,600,000,000 in favor of Korea in 1986;

(2) the Republic of Korea has banned high quality beef imports since May 1985;

(3) this beef import ban is in contravention of Korea's General Agreement on Tariffs and Trade obligations and impairs United States rights under such agreement;

(4) Korea imposes an unreasonably high 20 percent ad valorem tariff on meat products;

(5) if the Korean import ban were removed, the United States could supply a significant portion of the Korean beef market; and

(6) the United States cattle-raising industry has not been profitable since 1980.

(b) *SENSE OF CONGRESS.*—It is the sense of Congress that—

(1) the Republic of Korea should take immediate action to fulfill its obligations under the General Agreement on Tariffs and Trade and permit access to its market by United States beef producers;

(2) the United States Trade Representative should enter into negotiations to gain greater access to the Korean market for United States beef;

(3) such negotiations, in addition to greater market access, also should address the high tariffs set by the Republic of Korea and the means in which imported beef is distributed in Korea; and

(4) if the Republic of Korea does not immediately show clear evidence that it is engaging in meaningful liberalization in its market for United States beef, the appropriate United States Government officials should use all available and appropriate avenues, including retaliation, to encourage the Republic of Korea to open its market to United States beef imports.

Subtitle C—Agricultural Aid and Trade

CHAPTER 1—FINDINGS

SEC. 631. FINDINGS.

Congress finds that—

(1) *United States agricultural exports have declined by more than 40 percent since 1981, from \$43,800,000,000 in 1981 to \$26,300,000,000 in 1986;*

(2) *the United States share of the world market for agricultural commodities and products has dropped by 28 percent during the last 5 years;*

(3) *for the first time in 15 years, the United States incurred monthly agricultural trade deficits in 1986;*

(4) *the loss of \$1,000,000,000 in United States agricultural exports causes the loss of 35,000 agricultural jobs and the loss of 60,000 nonagricultural jobs;*

(5) *the loss of agricultural exports threatens family farms, and the economic well-being of rural United States;*

(6) *to reverse the decline of agricultural exports and improve prices for farmers and ranchers in the United States, it is necessary that all agricultural export programs of the United States be used in an expeditious manner, including such programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), and section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);*

(7) *greater use should be made by the Secretary of Agriculture of the authorities established under the Food for Peace Act of 1966 (7 U.S.C. 1707a et seq.), the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), and the Commodity Credit Corporation Charter Act (7 U.S.C. 714 et seq.) to provide intermediate credit financing and other assistance for the establishment of facilities in importing countries to—*

(A) *improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities and products; and*

(B) *increase livestock production to enhance the demand for United States feed grains;*

(8) *food aid and export assistance programs stimulate economic activity in developing countries and, as incomes improve, diets improve and the demand for and ability to purchase food increases;*

(9) *private voluntary organizations and cooperatives are important and successful partners in our food aid and development programs; and*

(10) *in addition to meeting humanitarian needs, food aid used in sales and barter programs by private voluntary organizations and cooperatives—*

(A) *provide communities with health care, credit systems, and tools for development; and*

(B) establish the infrastructure that is essential to the expansion of markets for United States agricultural commodities and products.

CHAPTER 2—AGRICULTURAL AID AND TRADE MISSIONS

SEC. 632. DEFINITIONS.

As used in this chapter:

(1) **ADMINISTRATOR.**—The term “Administrator” means the Administrator of the Agency for International Development.

(2) **ELIGIBLE COUNTRY.**—The term “eligible country” means a country that is eligible under section 634.

(3) **MISSION.**—The term “mission” means an agricultural aid and trade mission established under section 633.

(4) **UNITED STATES AGRICULTURAL AID AND TRADE PROGRAMS.**—The term “United States agricultural aid and trade programs” includes—

(A) programs established under titles I and II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.);

(B) the program established under section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b));

(C) the agricultural export enhancement program established under section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v);

(D) the dairy export incentive program established under section 153 of the Food Security Act of 1985 (15 U.S.C. 713a-14);

(E) the export credit guarantee program (GSM-102) established under section 5(f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(f));

(F) the intermediate export credit guarantee program (GSM-103) established under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)); and

(G) other agricultural aid and trade programs authorized by the Food Security Act of 1985 (Public Law 99-198), by the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or by other applicable authorities.

SEC. 633. AGRICULTURAL AID AND TRADE MISSIONS.

(a) **ESTABLISHMENT.**—Not later than 60 days after the date of enactment of this Act, the Secretary of Agriculture, the Secretary of State, and the Administrator shall jointly establish agricultural aid and trade missions to eligible countries to encourage the countries to participate in United States agricultural aid and trade programs.

(b) **COMPOSITION.**—A mission to an eligible country shall be composed of—

(1) representatives of the Department of Agriculture, the Department of State, and the Agency for International Development, appointed by the Secretary of Agriculture, Secretary of State, and Administrator, respectively, and

(2) not less than 3, nor more than 6, representatives of market development cooperators, private voluntary organizations, and cooperatives, appointed jointly by the Secretary of Agriculture, Secretary of State, and Administrator,

who are knowledgeable about food aid and agricultural export programs, as well as the food needs, trade potential, and economy of the eligible country.

(c) **TERMS.**—The term of members of a mission shall terminate on submission of the report required under section 636.

(d) **COMPENSATION AND TRAVEL EXPENSES.**—A member of a mission shall serve without compensation, if not otherwise an officer or employee of the United States, except that a member, while away from home or regular place of business in the performance of service under this chapter, shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized under section 5703 of title 5, United States Code.

SEC. 634. REQUIRED AND ADDITIONAL MISSIONS; ELIGIBLE COUNTRIES.

(a) **REQUIRED MISSIONS.**—Missions shall be established and completed—

(1) not later than 6 months after the date of enactment of this Act, in 7 countries chosen in accordance with the criteria in subsection (c); and

(2) not later than 1 year after the date of enactment of this Act, in 8 additional countries chosen in accordance with such criteria.

(b) **ADDITIONAL MISSIONS.**—After the completion of the missions referred to in subsection (a), a mission may be established to any foreign country chosen in accordance with the criteria set forth in subsection (c).

(c) **CRITERIA.**—The Secretary of Agriculture and the Administrator shall jointly select foreign countries for missions under this section so that—

(1) each foreign country selected represents a range of per capita income levels in the low to middle levels;

(2) each such foreign country is eligible for one or more United States agricultural aid and trade programs;

(3) priority is given to foreign countries for which participation in United States aid and trade programs would be mutually advantageous, taking into account the potentials for—

(A) economic development for the foreign country; and

(B) increased trade opportunities for the United States through the establishment of markets for United States agricultural commodities and products; and

(4) each such foreign country is friendly to the United States.

SEC. 635. FUNCTIONS.

The members of a mission to an eligible country shall—

(1) meet with representatives of government agencies of the United States and the eligible country, as well as commodity boards, private enterprises, private voluntary organizations, and cooperatives that operate in the eligible country, to assist in planning the extent to which United States agricultural aid and trade programs could be used in a mutually beneficial manner to meet the food and economic needs of the country;

(2) provide technical expertise and information to representatives of Government agencies of the United States in eligible countries and of the eligible country and private organizations, with respect to United States agricultural aid and trade pro-

grams and agricultural commodities and products and other assistance available to the eligible country under the programs; and

(3) assist in obtaining firm commitments for—

(A) proposals for food aid programs; and

(B) agreements for commodity sales under agricultural export programs.

SEC. 636. MISSION REPORTS.

Not later than 60 days after the completion of a mission under section 634, the mission shall submit to the President, the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Foreign Affairs of the House of Representatives, the Secretary of Agriculture, the Secretary of State, and the Administrator a report that contains the findings and recommendations of the mission in carrying out this chapter.

SEC. 637. PROGRESS REPORTS.

During the 2-year period beginning 1 year after the date of enactment of this Act, the Secretary of Agriculture, the Secretary of State, and the Administrator shall jointly submit to the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Committee on Foreign Affairs of the House of Representatives, quarterly reports on progress made in implementing the recommendations of the missions reported under section 636, including the quantity and dollar value of United States agricultural commodities and products shipped to eligible countries and the specific development programs undertaken in accordance with this chapter.

SEC. 638. USE OF COMMODITY CREDIT CORPORATION.

The Secretary of Agriculture shall use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out this chapter.

CHAPTER 3—TITLE II OF PUBLIC LAW 480; SECTION 416 OF THE AGRICULTURAL ACT OF 1949; AND THE FOOD FOR PROGRESS PROGRAM.

SEC. 641. TITLE II—LIMITATION ON MONETIZATION.

(a) NONEMERGENCY PROGRAMS.—The first sentence of section 206 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726) is amended by inserting after "extraordinary relief requirements," the following: "or for nonemergency programs conducted by nonprofit voluntary agencies or cooperatives,".

(b) REPORTS ON SALES AND BARTER AND USE OF FOREIGN CURRENCY PROCEEDS.—Section 206 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726) is amended by—

(1) inserting "(a)" after the section designation; and

(2) adding at the end thereof the following new subsection:

"(b) Not later than February 15, 1988, and annually thereafter, the President shall report to Congress on sales and barter, and use of foreign currency proceeds, under this section and section 207 during the preceding fiscal year. Such report shall include information on—

"(1) the quantity of commodities furnished for such sale or barter;

"(2) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in the preceding fiscal year;

"(3) how such funds and services were used;

"(4) the amount of foreign currency proceeds that were used under agreements under this section and section 207 in the preceding fiscal year, and the percentage of the quantity of all commodities and products furnished under this section and section 207 in such fiscal year such use represented;

"(5) the President's best estimate of the amount of foreign currency proceeds that will be used, under agreements under this section and section 207, in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the President estimates will be furnished under this section and section 207 in each such fiscal year;

"(6) the effectiveness of such sales, barter, and use during the preceding fiscal year in facilitating the distribution of commodities and products under this section and section 207;

"(7) the extent to which such sales, barter, or uses—

(A) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made;

"(B) affect usual marketings of the United States;

"(C) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries; or

"(D) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this title; and

"(8) the President's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under this section and section 207."

SEC. 642. TITLE II—USE OF FOREIGN CURRENCY PROCEEDS.

Section 207 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726a) is amended by—

(1) in subsection (a), inserting "or cooperative" after "agency";

(2) in subsection (b), striking out "5 percent" and inserting in lieu thereof "10 percent"; and

(3) adding at the end the following:

"(c) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative may be used to—

"(1) transport, store, or distribute agricultural commodities, to ensure that such commodities reach their final users in usable condition or otherwise enhance the effectiveness of the use of commodities donated under this title; and

"(2) implement income generation, community development, health, nutrition, cooperative development, or agricultural programs, or other developmental activities."

SEC. 643. TITLE II—PERIODS FOR REVIEW AND COMMENT.

Title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.) is amended by adding at the end thereof the following:

"SEC. 208. (a) If a proposal to make agricultural commodities available under this title is submitted by a nonprofit voluntary agency or cooperative with the concurrence of the appropriate United States Government field mission or if a proposal to make agricultural commodities available to a nonprofit voluntary agency or cooperative is submitted by the United States Government field mission, a response to that proposal shall be provided within 45 days following submission of the proposal. The response shall detail the reasons for approval or denial of the proposal. If the proposal is denied, the response shall specify the conditions that would need to be met for the proposal to be approved.

"(b) Not later than 30 days before the issuance of a final guideline issued to carry out this title, the President shall—

"(1) provide notice of the proposed guideline to nonprofit voluntary agencies and cooperatives that participate in programs under this title, and other interested persons, that the proposed guideline is available for review and comment;

"(2) make the proposed guideline available, on request, to the agencies, cooperatives, and others; and

"(3) take any comments received into consideration before the issuance of the final guideline."

SEC. 644. SECTION 416—ELIGIBLE COMMODITIES.

(a) IN GENERAL.—Section 416(b)(2)(A) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(2)(A)) is amended by—

(1) striking out "grains," and inserting in lieu thereof "wheat, rice, feed grains,"; and

(2) inserting "and the products thereof," after "price support operations".

(b) CONFORMING AMENDMENT.—Section 416(b)(10)(B)(i) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(10)(B)(i)) is amended by striking out "grains," and inserting in lieu thereof "wheat, rice, feed grains,".

SEC. 645. SECTION 416—AVAILABILITY OF COMMODITIES.

Section 416(b)(3) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(3)) is amended by adding at the end thereof the following:

"(D) If eligible commodities are made available under this subsection to a friendly country, the Secretary shall also provide an opportunity to nonprofit and voluntary agencies and cooperatives to obtain such commodities for food aid programs in that country."

SEC. 646. SECTION 416—MULTIYEAR AGREEMENTS.

Section 416(b)(4) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(4)) is amended by adding at the end thereof the following:

"In agreements with recipients of eligible commodities under this subsection (including nonprofit and voluntary agencies or cooperatives), subject to the availability each fiscal year of commodities, the Secretary is encouraged to approve multiyear agreements to make agricultural commodities available for distribution or sale by the re-

cipients if the agreements otherwise meet the requirements of this subsection."

SEC. 647. SECTION 416—FOREIGN CURRENCY USE AND ALLOCATION REQUIREMENTS.

(a) **FOREIGN CURRENCY USES.**—Clause (ii) of section 416(b)(7)(D) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(7)(D)(ii)) is amended to read as follows:

"(ii) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit and voluntary agency or cooperative may be used to—

"(I) transport, store, or distribute agricultural commodities, to ensure that such commodities reach their final users in usable condition or otherwise enhance the effectiveness of the use of commodities donated under this subsection; and

"(II) implement income generation, community development, health, nutrition, cooperative development, or agricultural programs, or other developmental activities."

(b) **ALLOCATION REQUIREMENTS.**—Section 416(b)(7)(D)(iii) of such Act is amended by—

(1) striking out "5 percent" and inserting in lieu thereof "10 percent";

(2) inserting ", or the minimum tonnage required, whichever is greater," after "furnished".

SEC. 648. SECTION 416—PERIODS FOR REVIEW AND COMMENT.

Section 416(b)(8) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(8)) is amended by adding at the end thereof the following:

"(C)(i) If a proposal to make eligible commodities available under this subsection is submitted by a nonprofit and voluntary agency or cooperative with the concurrence of the appropriate United States Government field mission or if a proposal to make such commodities available to a nonprofit and voluntary agency or cooperative is submitted by the United States Government field mission, a response to that proposal shall be provided within 45 days following submission of the proposal. The response shall detail the reasons for approval or denial of the proposal. If the proposal is denied, the response shall specify the conditions that would need to be met for the proposal to be approved.

"(ii) Not later than 30 days before the issuance of a final guideline issued to carry out this subsection, the Secretary shall—

"(I) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that participate in programs under this subsection, and other interested persons, that the proposed guideline is available for review and comment;

"(II) make the proposed guideline available, on request, to agencies, cooperatives, and others; and

"(III) take any comments received into consideration before the issuance of the final guideline."

SEC. 649. SECTION 416—MINIMUM QUANTITIES OF ELIGIBLE COMMODITIES.

(a) **IN GENERAL.**—Section 416(b)(10) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(10)) is amended by—

(1) in subparagraph (A), striking out "1986" and inserting in lieu thereof "1987"; and

(2) in subparagraph (B)—

(A) striking out “500,000” in clause (i) and inserting in lieu thereof “800,000”; and

(B) striking out “150,000” in clause (ii) and inserting in lieu thereof “200,000”.

(b) **APPROPRIATION REQUIREMENT.**—If the increase in minimum metric tonnage provided by the amendments made in subsection (a) will result in additional budget outlays for a fiscal year, such increased tonnage may not be provided unless such additional outlays are approved in advance in an appropriation Act.

SEC. 650. MULTIYEAR AGREEMENTS UNDER THE FOOD FOR PROGRESS PROGRAM.

Section 1110 of the Food Security Act of 1985 (7 U.S.C. 1736o) is amended by—

(1) redesignating subsection (k) as subsection (l); and

(2) inserting after subsection (j) the following new subsection:

“(k) In carrying out this section, subject to the availability of commodities, the President is encouraged to approve multiyear agreements to make commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of this section.”.

Subtitle D—Wood and Wood Products

SEC. 651. DEVELOPING MARKETS FOR WOOD AND WOOD PRODUCTS UNDER PUBLIC LAW 480.

(a) **WOOD AND WOOD PRODUCTS TO BE INCLUDED.**—Section 104(b)(1) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1704(b)(1)) is amended in the first sentence by inserting “(including wood and processed wood products of the United States)” after “agricultural commodities”.

(b) **SALES FOR LOCAL CURRENCIES; PRIVATE ENTERPRISE PROMOTION.**—Section 108(i) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1708(i)) is amended by—

(1) in paragraph (1), striking out “and”;

(2) in paragraph (2), striking out the period and inserting in lieu thereof “; and”; and

(3) adding at the end thereof the following:

“(3) the terms ‘private sector development activity’ and ‘private enterprise investment’ include the construction of low- and medium-income housing and shelter.”.

SEC. 652. DEVELOPING MARKETS FOR WOOD AND WOOD PRODUCTS UNDER THE SHORT-TERM AND INTERMEDIATE-TERM EXPORT CREDIT PROGRAMS.

(a) **SHORT-TERM EXPORT CREDIT.**—Section 1125 of the Food Security Act of 1985 (7 U.S.C. 1736t) is amended by—

(1) in subsection (b), inserting “, including wood and processed wood products” after “agricultural commodities and the products thereof”; and

(2) adding at the end thereof the following:

“(d) For the purposes of this section, the term ‘wood and processed wood products’ includes logs, lumber (boards, timber, millwork, molding, flooring, and siding), veneer, panel products (plywood, par-

ticle board, and fiberboard), utility and telephone poles, other poles and posts, railroad ties, wood pulp, and wood chips.”

(b) *INTERMEDIATE-TERM EXPORT CREDIT*.—Section 4(b)(1) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(1)) is amended by adding at the end thereof the following: “For purposes of this subparagraph, the term ‘agricultural commodities’ includes wood and processed wood products, as defined in section 1125(d) of the Food Security Act of 1985.”

SEC. 653. FOREST PRODUCTS COMPETITIVE MARKETING ACT OF 1987.

(a) *SHORT TITLE*.—This section may be cited as the “Forest Products Competitive Marketing Act of 1987”.

(b) *FINDINGS AND PURPOSES*.—

(1) Congress finds that—

(A) the health and vitality of the domestic forest products industry is important to the well-being of the economy of the United States;

(B) the domestic forest products industry has a significant potential for expansion in both domestic and foreign markets;

(C) many small-sized to medium-sized forest products firms lack the tools that would enable them to meet the increasing challenge of foreign competition in domestic and foreign markets; and

(D) a new cooperative forest products marketing program will improve the competitiveness of the United States forest products industry.

(2) The purposes of this section are to—

(A) provide direct technical assistance to the United States forest products industry to improve marketing activities;

(B) provide cost-share grants to States to support State and regional forest products marketing programs; and

(C) target assistance to small- and medium-sized producers of solid wood and processed wood products, including pulp.

(c) *PROGRAM AUTHORITY*.—The Secretary of Agriculture, acting under Public Law 95-313, the Cooperative Forestry Assistance Act (16 U.S.C. 2101), shall establish a cooperative national forest products marketing program to include providing—

(1) technical assistance to States, landowners, and small-sized to medium-sized forest products firms on ways to improve domestic and foreign markets for forest products;

(2) grants of financial assistance with matching requirements to the States to assist in State and regional forest products marketing efforts targeted to aid small-sized to medium-sized forest products firms and private, nonindustrial forest landowners. Grant agreements shall encourage the establishment of interstate cooperative agreements by the States for the purpose of promoting the development of domestic and foreign markets for forest products.

(d) *LIMITATIONS*.—(1) In carrying out the authority provided by this section, the Secretary of Agriculture shall cooperate with Feder-

al departments and agencies to avoid the duplication of efforts and to increase program efficiency.

(2) The program authorized under this section shall be carried out within the United States and not be extended to Department of Agriculture activities in foreign countries.

(e) **AUTHORIZATION FOR APPROPRIATIONS.**—There are hereby authorized to be appropriated \$5,000,000 for each of the fiscal years beginning October 1, 1988, and ending September 30, 1991, to carry out this section.

(f) **PROGRAM REPORT.**—The Secretary of Agriculture shall report to Congress annually on the activities taken under the marketing program established under this section. A final report including recommendations for program changes and the need and desirability of the reauthorization of this authority, and required levels of funding, shall be submitted to Congress not later than September 30, 1990.

SEC. 654. USE OF DEPARTMENT OF AGRICULTURE PROGRAMS.

The Secretary of Agriculture shall actively use Department of Agriculture commercial and concessional export credit programs for the export of wood and processed wood products.

Subtitle E—Miscellaneous Provisions Regarding International Agriculture and Related Programs

SEC. 661. ALLOCATION OF CERTAIN MILK.

(a) **IN GENERAL.**—Notwithstanding any other provision of law, milk produced by dairies—

(1) owned or controlled by foreign persons; and

(2) financed by or with the use of industrial revenue bonds; shall be treated as other-source milk, and shall be allocated as milk received from producer-handlers for the purposes of classifying producer milk, under the milk marketing program under provisions of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937. For the purposes of this section, the term "foreign person" has the meaning given such term under section 9(3) of the Agricultural Foreign Investment Disclosure Act of 1978 (7 U.S.C. 3508(3)).

(b) **REGULATIONS.**—The Secretary of Agriculture shall prescribe regulations to carry out this section.

(c) **LIMITATION.**—This section shall not apply with respect to any dairy that began operation before May 6, 1986.

SEC. 662. MILK PRICE SUPPORTS—EXCESS CASEIN IMPORTS.

(a) **EXCESS CASEIN IMPORTS.**—To the extent that imports of casein for the calendar year 1988 are expected to exceed the average annual level of imports of casein for the period 1981 through 1985, the Secretary of Agriculture shall reduce the estimated level of purchases of milk and the products of milk for calendar year 1988 calculated under section 201(d)(1)(D)(i) of the Agricultural Act of 1949 (7 U.S.C. 1446(d)(1)(D)(i)) by the milk equivalent poundage of such estimated 1988 increase in casein imports over the average import level. For the purposes of this subsection, unless there is a legally mandated reduction limiting calendar year 1988 imports of casein to a level

that is less than the average of imports of casein for the period 1981 through 1985, estimated imports of casein for calendar year 1988 shall not be established at a level that is less than the actual imports of casein for calendar year 1986. The milk equivalent poundage of casein for purposes of this subsection shall be derived by application of a formula wherein one pound of casein is determined to the equivalent of 36.9 pounds of milk containing 3.67 percent milk-fat.

(b) **DAIRY EXPORT INCENTIVE PROGRAM.**—Dairy products that will be sold directly from commercial stocks under the dairy export incentive program under section 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c) in calendar year 1988, as estimated by the Secretary of Agriculture, shall not be counted in estimating Commodity Credit Corporation purchases of milk and products of milk in calendar year 1988 under section 201(d)(1)(D)(i) of the Agricultural Act of 1949 (7 U.S.C. 1446(d)(1)(D)(i)).

SEC. 663. EXPORTED TOBACCO REPORT.

The Tobacco Adjustment Act of 1983 is amended by adding after section 213 (7 U.S.C. 511r) the following new section:

“EXPORTED TOBACCO REPORT

“SEC. 214. Notwithstanding any other provision of law:

“(1) Before the exportation of any tobacco or tobacco product from the United States, including re-exports or transshipments of tobacco and tobacco products and any tobacco or tobacco product entering foreign trade zones in the United States, the exporter shall prepare a certified report and file a copy of such report with the Secretary of Agriculture.

“(2) Such certified report shall specify, by percent, weight, and type—

“(A) the quantity of tobacco, contained in such tobacco or tobacco product, that was grown in the United States; and

“(B) the quantity of foreign grown tobacco contained in such tobacco or tobacco product.

“(3) The Secretary shall use such report to verify—

“(A) tobacco stock reports;

“(B) estimates of United States produced or grown tobacco that is exported from the United States, for the purpose of determining tobacco poundage quotas under the Agricultural Adjustment Act of 1938; and

“(C) compliance with the requirements of the export credit programs of the Department of Agriculture.

“(4) The Secretary annually shall report to Congress, in the aggregate, the information contained in certified reports under this section and the information contained in end-user reports under section 213(f), as part of each report submitted under section 213(f).”

SEC. 664. INTERNATIONAL AGREEMENT TO REDUCE GRAIN PRODUCTION.

(a) **FINDINGS.**—Congress finds that—

(1) worldwide production of grains has overwhelmed demand, resulting in excessive carryover stocks;

(2) individual countries cannot reduce their own production without detriment to their own farmers;

(3) it is to the advantage of the United States and other grain-producing countries to reduce production so stocks can be brought closer to demand levels; and

(4) it is the policy of the United States to keep supply and demand in relative balance in concert with other countries.

(b) **NEGOTIATIONS.**—The Secretary of Agriculture shall initiate discussions with other major grain-producing countries (including the members of the European Community, Canada, Australia, and Argentina) leading toward an agreement to reduce grain production multilaterally.

(c) **REPORT TO CONGRESS.**—The Secretary shall report to Congress on the progress of the discussions required under subsection (b), not later than March 1, 1988.

SEC. 665. SELF-HELP MEASURES TO PROMOTE CONSERVATION AND STUDY OF BIOLOGICAL DIVERSITY.

Section 109(a) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1709(a)) is amended by—

(1) striking out “and” at the end of paragraph (10);

(2) striking out the period at the end of paragraph (11) and inserting “; and” in lieu thereof; and

(3) adding after paragraph (11) the following:

“(12) promoting the conservation and study of biological diversity.”.

SEC. 666. SENSE OF CONGRESS—MINIMUM LEVEL OF FOOD ASSISTANCE.

(a) **ANNUAL MINIMUM.**—It is the sense of Congress that—

(1) the United States should maintain its historic proportion of food assistance constituting one-third of all United States foreign economic assistance; and

(2) accordingly, not less than one-third of the funds available each fiscal year for foreign economic assistance programs should be used to make United States food assistance available to foreign countries under the Agricultural Trade Development and Assistance Act of 1954 and section 416(b) of the Agricultural Act of 1949.

(b) **DEFINITION.**—For purposes of this section, the term “foreign economic assistance” includes—

(1) assistance under chapter 1 of part I of the Foreign Assistance Act of 1961, the Agricultural Trade Development and Assistance Act of 1954, section 416(b) of the Agricultural Act of 1949, or any other law authorizing economic assistance for foreign countries; and

(2) United States contributions to the International Bank for Reconstruction and Development, the International Development Association, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other multilateral development bank.

Subtitle F—Domestic Markets for Agricultural Commodities and Products

CHAPTER 1—ACTIONS AFFECTING IMPORTS; STUDIES AND PLANS

SEC. 671. MEAT FOOD PRODUCT LABELING.

Section 1(n) of the Federal Meat Inspection Act (21 U.S.C. 601(n)) is amended by—

- (1) in paragraph (11), striking out “or” at the end thereof;
- (2) in paragraph (12), striking out the period at the end and inserting in lieu thereof “; or”; and
- (3) adding at the end thereof the following new paragraph:
 “(13) if the labeling or other official mark on meat or a meat food product or on the package containing meat or a meat food product fails to indicate the country of origin of such meat or product that is received, shipped, consigned, sold, or offered for sale.”.

SEC. 672. AMENDMENTS TO THE MARKETING ORDER PROVISIONS OF THE AGRICULTURAL ADJUSTMENT ACT.

(a) **QUALITY STANDARDS.**—Section 8e of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 608e-1), is amended by striking out “Provided,” and inserting in lieu thereof the following: “Provided, That the effective period for such prohibition may be established in advance of the date when such order is in effect if the Secretary finds that, to effectuate the declared policy of this Act, such earlier effective period is needed to prevent the importation into the United States of such commodity that would otherwise fail to meet grade, size, quality, or maturity requirements when the imported commodity is marketed during the period of time that regulations are in effect under the order: Provided further,”.

(b) **PAID ADVERTISING FOR FLORIDA-GROWN STRAWBERRIES UNDER MARKETING ORDERS.**—The first proviso of section 8c(6)(I) of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 608c(6)(I)), is amended by striking out “or tomatoes,” and inserting in lieu thereof “tomatoes, or Florida-grown strawberries,”.

SEC. 673. IMPORT INVENTORY.

(a) **COMPILATION AND REPORT ON IMPORTS.**—The Secretary of Agriculture, in consultation with the Secretary of Commerce, the International Trade Commission, the United States Trade Representative, and any other appropriate Federal agency, shall compile and report to the public statistics on the total value and quantity of imported raw and processed agricultural products.

(b) **COMPILATION AND REPORT ON CONSUMPTION.**—The Secretary of Agriculture shall compile and report to the public data on the total amount of production and consumption of domestically produced raw and processed agricultural products.

(c) **ISSUING OF DATA.**—The reports required by this section shall be made in a format that correlates statistics for the quantity and value of imported agricultural products to the production and con-

sumption of domestic agricultural products. The Secretary of Agriculture shall issue such reports on a quarterly basis.

SEC. 674. STUDY RELATING TO HONEY.

(a) **STUDY.**—The Secretary of Agriculture shall conduct a study to determine the effect of imported honey on United States honey producers, the availability of honey bee pollination within the United States, and whether imports of honey tend to interfere with or render ineffective the honey price support program of the Department of Agriculture.

(b) **REPORT.**—Not later than 60 days after the date of the enactment of this Act, the Secretary shall report the results of such study to the Committee on Agriculture and the Committee on Ways and Means of the House of Representatives and to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Finance of the Senate.

SEC. 675. ROSE STUDY, REPORT, AND FINDINGS.

(a) **STUDY.**—The Secretary of Agriculture, in conjunction with the United States Trade Representative, not later than 120 days after the date of enactment of this Act, shall complete a study to determine the—

(1) effects of rose imports into the United States on the domestic rose-growing industry;

(2) extent, nature, and estimated value of any foreign subsidies provided to such imports;

(3) extent and estimated level of any possible dumping of roses into the United States; and

(4) effects that the European Community's tariff rate for imported roses has on world trade of roses.

(b) **REPORT.**—The Secretary shall report the results of the study conducted under subsection (a), as soon as the study is completed, to the Committee on Agriculture and the Committee on Ways and Means of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(c) **FINDINGS.**—If the Secretary determines, as a result of the study conducted under subsection (a), that the domestic rose industry is being adversely affected by the unfair trade practices of foreign competitors, the Secretary is urged to use all available remedies, programs, and policies available to the Department of Agriculture to assist the domestic rose industry to maintain and enhance its ability to compete in the domestic and world market for roses.

SEC. 676. STUDY OF EFFECT OF SECTION 22 CHANGES.

The Secretary of Agriculture shall conduct a study to determine how and to what extent the reduction or elimination of quotas on the importation of certain dairy products imposed under section 22 of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 624), as a result of negotiations on the General Agreement on Tariffs and Trade or a similar such negotiation or agreement, might adversely affect the administration of the Federal dairy price support program and cause injury to the United States dairy industry.

SEC. 677. IMPORTED MEAT AND POULTRY PRODUCTS.

(a) **REPORT.**—Not later than 90 days after the date of the enactment of this Act, the Secretary of Agriculture shall submit a report to Congress—

(1) specifying the planned distribution, in fiscal years 1987 and 1988, of the resources of the Department of Agriculture available for sampling imported meat, poultry, and egg products to ensure compliance with the requirements of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act that govern the level of residues of pesticides, drugs, and other products permitted in or on such products;

(2) describing current methods used by the Department to enforce the requirements of such Acts respecting the level of residues of pesticides, drugs, and other products permitted in or on such products;

(3) that responds to the audit report of the Inspector General of the Department of Agriculture, Number 38002—2—hy, dated January 14, 1987;

(4) providing a summary with respect to the importation of meat and poultry products during fiscal years 1986 and 1987 that specifies—

(A) the number of samples of each such product taken during such fiscal year in carrying out the requirements described in paragraph (1); and

(B) for each violation of such requirements during such fiscal year—

(i) the meat or poultry product with respect to which such violation occurred,

(ii) the residue in or on such product in violation of such requirements,

(iii) the country exporting such product,

(iv) the actions taken in response to such violations and the reasons for such actions, and

(v) the level of testing conducted by the countries exporting such products;

(5) a description of any research conducted by the Secretary to develop improved methods to detect residues subject to such requirements in or on meat and poultry products; and

(6) any recommendations the Secretary considers appropriate for legislation to add or modify penalties for violations of laws, regulations, and other enforcement requirements governing the level of residues that are permitted in or on imported meat and poultry products.

(b) **REVISION.**—Not later than November 15, 1988, the Secretary of Agriculture shall revise, as necessary, the report prepared under subsection (a) and submit the revision to Congress.

SEC. 678. IMPORTED RAW AGRICULTURAL COMMODITIES.

(a) **PLAN.**—(1) Not later than 90 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall prepare a plan—

(A) specifying the distribution, in the fiscal year for which the plan is prepared, of the resources of the Food and Drug Ad-

ministration available for sampling imported raw agricultural commodities to ensure—

(i) compliance with laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on such commodities, and

(ii) the timely sharing among Food and Drug Administration districts of data and information relating to violations of such laws, regulations, and requirements found in each such district; and

(B) describing the methods the Food and Drug Administration will use to improve the enforcement of such laws, regulations, and requirements in the fiscal year for which the plan is prepared.

(2) Within 45 days after the date of enactment of this Act, the Secretary shall cause to be published in the Federal Register a proposed plan that complies with paragraph (1) and a notice requesting public comments on such proposed plan for a period of 30 days beginning on the date such notice is published.

(3) Not later than 45 days after the expiration of each fiscal year, the Secretary shall revise, as necessary, the plan prepared under paragraph (1) taking into account comments submitted in response to the notice issued under paragraph (2).

(4) Each plan prepared or revised under paragraph (1) or (3), respectively, for a fiscal year shall be implemented by the Secretary in such fiscal year.

(b) **MONITORING SUMMARY.**—Within 45 days after the end of each fiscal year, the Secretary shall prepare a summary with respect to the importation of raw agricultural commodities during such fiscal year. Each such summary shall specify—

(1) each type of raw agricultural commodity imported during such fiscal year;

(2) each country exporting each such commodity;

(3) the volume of each such commodity imported from each such country during such fiscal year;

(4) the number of samples of each such commodity taken during such fiscal year in carrying out provisions of laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on such commodity; and

(5) for each violation of such laws, regulations, or requirements during such fiscal year—

(A) the raw agricultural commodity with respect to which such violation occurred,

(B) each pesticide chemical detected in or on such commodity,

(C) the name of the person who imported such commodity, and

(c) **IMPROVED MONITORING.**—In any case in which a raw agricultural commodity imported from a foreign country is found, during any growing season, to violate provisions of laws, regulations, or other enforcement requirements governing the level of pesticide chemicals permitted in or on such commodity, the Secretary shall continue to monitor the compliance of such commodity with such laws, regulations, and requirements by sampling shipments of such

commodity imported from such country during the immediately succeeding growing season.

(d) **ANNUAL REPORT.**—Within 60 days after the end of each fiscal year, the Secretary shall prepare and transmit to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Labor and Human Resources of the Senate and the Committee on Agriculture and the Committee on Energy and Commerce of the House of Representatives a report on the enforcement during such fiscal year of provisions of laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on imported raw agricultural commodities. Each such report shall contain—

- (1) a copy of the plan prepared or revised under subsection (a);
- (2) a copy of the monitoring summary required under subsection (b) for such fiscal year;

(3) a description of—

(A) the violations of such laws, regulations, and requirements that occurred during such fiscal year;

(B) the actions taken in response to such violations; and

(C) the reasons for such actions;

(4) a description of any research conducted by the Secretary to develop improved methods to detect residues of pesticide chemicals in or on raw agricultural commodities; and

(5) any recommendations the Secretary considers appropriate for legislation to add or modify penalties for violations of laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on imported raw agricultural commodities.

(e) **DEFINITIONS.**—For purposes of this section—

(1) the term “raw agricultural commodity” means any food in its raw or natural state, including all fruits that are washed, colored, or otherwise treated in their unpeeled natural form before marketing, and

(2) the term “Secretary” means the Secretary of Health and Human Services.

CHAPTER 3—IMPORT LIMITATIONS

SEC. 681. DETERMINING MATERIAL INTERFERENCE CAUSED BY IMPORTED TOBACCO.

Section 22(a) of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 624(a)), is amended by adding at the end thereof the following: “For purposes of any investigation conducted with respect to tobacco, or articles containing tobacco, imported into the United States, the Commission shall take into account contributions and assessments imposed under sections 106A and 106B of the Agricultural Act of 1949 on tobacco producers in determining whether such imported tobacco or articles materially interfere with the tobacco price support program carried out by the Department of Agriculture.”.

SEC. 682. TOBACCO IMPORT LIMITATIONS.

Notwithstanding any other provision of law, whenever the United States Trade Representative finds that a country has imposed a quantitative import limitation or any unfair trade barrier, policy, or practice that acts to restrict imports of United States grown tobacco, the United States Trade Representative shall impose a reciprocal import limitation against that country. Such reciprocal limitation, when combined with any other quantitative import limitations in effect with respect to the import of tobacco from the country, shall equal the total of quantitative import limitations imposed by that country against United States tobacco. The use of transshipments of tobacco to avoid the requirements of this section is prohibited and subject to penalty as otherwise provided in law.

SEC. 683. AMENDMENTS TO THE MEAT IMPORT ACT OF 1979.

(a) **AMENDMENTS RELATING TO THE IMPORTATION OF LAMB.**—(1) Subsection (b) of the Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively; and

(B) inserting after paragraph (1) the following:

“(2) The term ‘lamb articles’ means the articles provided for in the Tariff Schedules of the United States under item 106.30 (relating to fresh, chilled, or frozen meat of lambs).”.

(2) Subsection (e) of the Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) in paragraph (1), inserting “and under subsection (j) as adjusted under subsection (k)” after “subsection (d)”; and

(B) in paragraph (2), inserting “, and the aggregate quantity of lamb articles,” after “meat articles”.

(3) Subsection (f) of the Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) in paragraph (1)—

(i) inserting “with respect to meat articles or lamb articles,” after “If”;

(ii) inserting “or lamb articles, as the case may be,” after “meat articles” the first place it appears;

(iii) inserting “or lamb articles, respectively,” after “meat articles” the second place it appears;

(iv) inserting “in the case of meat articles or less than 30,000,000 pounds in the case of lamb articles” before the period at the end of the first sentence; and

(v) in the last sentence, inserting “meat” before “articles”; and

(B) in the first sentence of paragraph (2)—

(i) inserting “with respect to meat articles or lamb articles,” after “If”; and

(ii) inserting “or lamb articles, as the case may be” after “meat articles”.

(4) Subsection (g) of the Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) in paragraph (1), inserting “or the domestic lamb industry, as the case may be” after “cattle industry”;

(B) in paragraph (2), inserting "or lamb articles, as the case may be," after "meat articles"; and

(C) in paragraph (3), striking out "and (d)" and inserting " , (d), (j), and (k)".

(5) Subsection (h) of the Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) striking out "the previous subsections" and inserting "any other provision of this section"; and

(B) inserting "or lamb articles, as the case may be," after "meat articles"; and

(C) inserting "or (k), as the case may be," after "subsection (d)" each place it appears.

(6) Subsection (i) of the Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) in the first sentence, inserting "or lamb articles, as the case may be," after "meat articles"; and

(B) in the second sentence, inserting "or the trade in lamb articles or lambs, as the case may be" after "cattle".

(7) The Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by—

(A) redesignating subsections (j), (k), and (l) as subsections (l), (m), and (n), respectively, and

(B) inserting after subsection (i) the following new subsections:

"(j) The aggregate quantity of lamb articles that may be entered in any calendar year may not exceed 24,360,000 pounds, except that this aggregate quantity shall be—

"(1) increased or decreased for any calendar year by the same percentage that the estimated average annual domestic commercial production of lamb articles in that calendar year and the 2 preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of lamb articles during calendar years 1981 through 1986; and

"(2) adjusted further under subsection (k).

"(k) The aggregate quantity referred to in subsection (j), as increased or decreased under paragraph (1) of such subsection, shall be adjusted further for any calendar year by multiplying such quantity by a fraction—

"(1) the numerator of which is the average annual per capita production of domestic meat of lambs during that calendar year (as estimated) and the 4 calendar years preceding such calendar year; and

"(2) the denominator of which is the average annual per capita production of meat of lambs in that calendar year (as estimated) and the preceding calendar year.

For the purposes of this subsection, the phrase 'meat of lambs' means that portion of the total domestic sheep slaughter designated by the Secretary as lamb slaughter."

(8) The Meat Import Act of 1979 (19 U.S.C. 2253 note) is amended by adding at the end the following:

"(o) The Secretary of Agriculture shall conduct a study to determine whether a disproportionate quantity of meat of lambs is entered quarterly into the United States. The Secretary shall submit to the Committee on Ways and Means of the House of Representatives

and the Committee on Finance of the Senate a report specifying the results of such study not later than June 1, 1988, or 180 days after the effective date of this subsection, whichever occurs later.”

(b) **APPLICATION OF AMENDMENTS.**—The amendments made by subsection (a) shall not apply with respect to any calendar year, or to meat articles entered in any calendar year, beginning before the date of the enactment of this Act.

SEC. 684. QUANTITATIVE RESTRICTIONS ON IMPORTED MILK PROTEIN PRODUCTS.

(a) **DEFINITION.**—For purposes of this section, the term “milk protein products” means—

- (1) casein,
- (2) caseinates,
- (3) lactalbumin,
- (4) whey protein concentrates, or
- (5) mixtures containing not less than 5 percent of any product referred to in paragraphs (1) through (4).

(b) **LIMITATION.**—To ensure that the quantities of milk protein products imported into the United States will not render ineffective, or materially interfere with, price support operations undertaken under the Agricultural Act of 1949, the President by proclamation shall limit the quantity of milk protein products that may be imported in any calendar year (or portion of a calendar year in the case of the calendar year in which this Act is enacted) beginning on the day after the date of enactment of this Act, to a quantity equal to 50 percent of the average annual quantity of milk protein products that was imported during the period beginning January 1, 1981, and ending December 1, 1985 (or, in the case of such portion of a calendar year, a proportionately lesser quantity). A proclamation issued under this subsection shall be considered to be a proclamation that is issued by the President under section 22 of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 624), and that meets the requirements of that section.

(c) **IMPORT LICENSING SYSTEM.**—In implementing a quantitative restriction proclaimed under subsection (b), the Secretary of Agriculture shall establish an import licensing system for foreign milk protein products under which—

- (1) first preference shall be given to those importers or users who establish that their importation or use of such products is for purposes for which no substitutes for such products are available;
- (2) second preference shall be given to those importers or users who establish that their importation or use of such products is for purposes for which domestically produced skim milk or skim milk solids cannot be substituted; and
- (3) third preference shall be given to importers or users with respect to whom no preference under paragraph (1) or (2) applies.

SEC. 685. IMPORTS CONTAINING AGRICULTURAL PRODUCTS SUBJECT TO QUANTITATIVE LIMITATION.

(a) **LIMITATION.**—Importation into the United States of merchandise that contains over 25 percent by weight of an agricultural prod-

uct the imports of which are subject to a quantitative limitation imposed under authority of either section 22 of the Agricultural Adjustment Act of 1933, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 624), or a headnote to the Tariff Schedules of the United States (except a quantitative limitation previously imposed solely under authority of this section) shall itself be subject to quantitative limitation. Such limitation on imports shall equal the quantity of such merchandise imported, as determined (or, when necessary, estimated) by the President during a representative period, as determined by the President, before the imposition of the limitation under section 22 or a headnote. A limitation under this section shall be imposed within 60 days after the date of enactment of this Act for existing limitations under section 22 or a headnote, and within 60 days after a quota under section 22 or a headnote is imposed after the date of enactment of this Act. This section shall not affect the authority of the President or others under section 22 or other laws to impose quotas on imports of merchandise containing an agricultural product subject to quantitative limitation under section 22 or a headnote.

(b) **ADJUSTMENT OR WAIVER.**—The President may adjust or waive quantitative limitations imposed under subsection (a) of this section for any period if the President determines and reports to Congress that, for such period, adjustment or waiver is necessary because otherwise the limitation would be contrary to the national economic interest.

Subtitle G—Trade Policy Formulation and Implementation

SEC. 691. SENSE OF CONGRESS—AGRICULTURAL EXPORT ENHANCEMENT IS FIRST PRIORITY OF UNITED STATES TRADE POLICY.

It is the sense of Congress that Congress, the President, the Departments of Defense, Agriculture, State, and Commerce, and the United States Trade Representative should sign a Memorandum of Understanding stating that the first priority of United States trade policy is the enhancement of agricultural exports.

SEC. 692. REPRESENTATION AT NEGOTIATIONS RELATING TO AGRICULTURAL TRADE AGREEMENTS.

Section 161 of the Trade Act of 1974 (19 U.S.C. 2211) is amended by adding the following new subsection at the end thereof:

“(c)(1) At the beginning of each regular session of Congress—

“(A) the Speaker of the House of Representatives shall select, on the recommendation of the Chairman of the Committee on Agriculture, members of such committee for accreditation under paragraph (2); and

“(B) the President pro tempore of the Senate shall select, on the recommendation of the Chairman of the Committee on Agriculture, Nutrition, and Forestry, members of such committee for accreditation under paragraph (2).

“(2) Members selected under paragraph (1) shall be accredited by the President as additional official advisers to the United States

delegations to international conferences, meetings, and negotiations relating to agricultural trade agreements.

"(3) The United States Trade Representative shall keep each additional official adviser appointed under this subsection currently informed on United States negotiating objectives, the status of negotiations in progress, and the nature of any changes in domestic law or the administration thereof that may be recommended to Congress to carry out any agricultural trade agreement or any requirement of, amendment to, or recommendation under, such agreement."

SEC. 693. SENSE OF CONGRESS—INVESTIGATIONS OF CANADIAN AGRICULTURAL SUBSIDIES.

(a) FINDINGS.—Congress finds that—

(1) the United States and Canada are signatories to the Agreement on Interpretation and Application of articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (hereinafter in this section referred to as the "Subsidies Code");

(2) the Subsidies Code provides that a countervailing duty cannot be imposed unless—

(A) there is injury within the meaning of article VI of the General Agreement on Tariffs and Trade, as interpreted by the Subsidies Code; and

(B) a causal link is established between the allegedly subsidized imports and the alleged injury;

(3) global production and stagnant demand have led to a major oversupply of corn and depressed worldwide prices for corn;

(4) the oversupply of corn cannot be attributed to the actions of the United States, which has since 1982 imposed major acreage reductions in an effort to control production;

(5) between 1982 and 1985, the United States idled 44,000,000 acres of corn acreage that would have produced 110,000,000 tons of corn;

(6) between 1982 and 1985, the United States, while acting to limit its production, has witnessed a decline in corn exports of 30,000,000 tons or nearly 50 percent;

(7) United States exports of corn to Canada peaked in the 1980–1981 marketing year, when United States corn exports to Canada totaled 1,363,500 tons and accounted for 22.5 percent of the Canadian market;

(8) United States exports of corn to Canada have been declining sharply since 1981, falling to 822,200 tons in the 1982–1983 marketing year, then declining to 225,900 tons in the 1983–1984 marketing year, and 300,000 tons in the 1985–1986 marketing year;

(9) the share of the Canadian corn market held by the United States has been steadily declining from 22.5 percent in the 1980–1981 marketing year to 11.22 percent in the 1982–1983 marketing year, 3.94 percent in the 1983–1984 marketing year, and 4.42 percent in the 1985–1986 marketing year;

(10) Canadian corn industry production has steadily expanded from 5,753,200 tons in the 1980–1981 marketing year to 7,393,400 tons in the 1985–1986 marketing year;

(11) Canadian corn exports rose from 180,300 tons in the 1976-1977 marketing year to a peak of 1,134,000 tons in the 1981-1982 marketing year, then dipped slightly before reaching 650,000 tons in the 1985-1986 marketing year;

(12) there appears to be no causal link between imports of corn from the United States and injury to the Canadian corn industry;

(13) the Canadian Import Tribunal has ruled that the Canadian corn industry has been injured by United States agricultural programs and has approved a tariff of 84.9 cents per bushel on United States exports of corn to Canada;

(14) the decision of the Canadian Import Tribunal appears to be arbitrary, capricious, and an abuse of discretion and to be inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade; and

(15) the President has broad authority under section 301 of the Trade Act of 1974 to retaliate against foreign acts, policies, or practices that are inconsistent with the provisions of any trade agreement to which the United States is a party or that are unjustifiable, discriminatory, or unreasonable and burden or restrict United States commerce, including authority to impose duties or other import restrictions on the products of such country, or to direct the Secretary of Commerce to initiate a countervailing duty investigation under section 701 of the Tariff Act of 1930.

(b) **SENSE OF CONGRESS.**—It is the sense of Congress that the United States Trade Representative should—

(1) immediately initiate an investigation to determine whether the ruling of the Canadian Import Tribunal described in subsection (a) is inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade;

(2) publish in the Federal Register the determination made as a result of such investigation before the date that is 30 days after the date of enactment of this Act; and

(3) if the United States Trade Representative determines that such ruling by the Canadian Import Tribunal is unjustifiable or inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade (within the meaning of section 301 of the Trade Act of 1974)—

(A) initiate an investigation under section 302(c) of such Act that should be conducted on an expedited basis, and

(B) make recommendations to the President regarding the investigation initiated under section 302(c) of such Act before the date that is 60 days after the date on which the investigation is initiated.

SEC. 694. SENSE OF CONGRESS—EUROPEAN COMMUNITY FATS AND OILS TAX.

(a) **FINDINGS.**—Congress finds that—

(1) in 1962 the United States negotiated duty-free bindings for oilseeds and oilmeals in the European Community;

(2) the European Community is our most important market for soybeans, representing about 45 percent of total United States soybean exports;

(3) in the recently concluded negotiations under article XXIV:6 of the General Agreement on Tariffs and Trade, the European Community agreed to restore the duty-free bindings for oilseeds and meals and extend them to Spain and Portugal;

(4) the Commission of the European Community now has proposed the establishment of a consumption tax on vegetable and marine fats and oils in conjunction with the setting of farm prices for the 1987-1988 marketing year in the Community;

(5) this tax would amount to almost 90 percent of the current price of soybean oil;

(6) this tax would have a significant restrictive effect on United States exports of oilseeds and products, in particular on soybeans, to the European Community;

(7) the implementation of this tax would be blatantly inconsistent with the obligations of the European Community under the General Agreement on Tariffs and Trade;

(8) the Commission's proposal would constitute an attempt to impose the cost of the Common Agricultural Policy on the European Community's trading partners;

(9) the United States has strenuously opposed similar proposals by the European Community in the past;

(10) this measure would affect the livelihood of over 500,000 farmers in the United States, as well as many more in developing countries; and

(11) the United States has consistently maintained the position that any attempt by the European Community to impose a tax on fats and oils would invite strong and immediate countermeasures.

(b) **SENSE OF CONGRESS.**—It is the sense of Congress that—

(1) the Administration should vigorously oppose the establishment of a tax on vegetable and marine fats and oils in the European Community;

(2) the Administration should continue in its efforts to ensure that such a tax is not established; and

(3) the Administration should communicate to the European Community the message that the United States will view the establishment of such a tax as inconsistent with the European Community's obligations under the General Agreement on Tariffs and Trade that will result in the adoption of strong and immediate countermeasures.

SEC. 695. SENSE OF CONGRESS—ACTION IN RESPONSE TO FOREIGN IMPORT RESTRICTIONS ON UNITED STATES CITRUS FRUITS AND BEEF PRODUCTS.

(a) **FINDINGS.**—Congress finds that—

(1) trade partners of the United States are engaging in unreasonable, unjustifiable, and discriminatory acts, policies, and practices, including the use of import quotas, that tend effectively to prohibit or unreasonably burden United States exports of—

(A) oranges, grapefruit, and other citrus fruits; and

(B) fresh, chilled, and frozen beef and other beef products; and

(2) such acts, policies, and practices deny access to such markets for United States producers of such exports, reduce agricul-

tural exports and farm income, and contribute to the United States trade deficit and the Federal budget deficit.

(b) **SENSE OF CONGRESS.**—It is the sense of Congress that if a country is found to engage, in violation of the General Agreement on Tariffs and Trade, in any such acts, policies, and practices against any such United States exports, the President should take steps, including the imposition of import fees and duties, that will result in the exclusion of the importation of similar or other products from such country found to be in violation of the General Agreement on Tariffs and Trade into the United States until such acts, policies, and practices are eliminated.

Subtitle H—Foreign Assistance Programs

SEC. 696. UNITED STATES GOODS AND SERVICES.

Chapter 4 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2346 et seq.) is amended by adding at the end thereof the following new section:

“SEC. 536. UNITED STATES GOODS AND SERVICES.

“(a) **SUPPORT FOR COMMODITY IMPORT PROGRAMS.**—The President shall provide assistance under this chapter to a country through commodity import programs in lieu of a cash transfer, unless the President determines that the needs of that country and the interests of the United States would be better met by a cash transfer rather than by commodity import programs involving the purchase of United States agricultural commodities and products or other United States goods and services.

“(b) **USE OF CASH TRANSFERS FOR PURCHASE OF UNITED STATES GOODS AND SERVICES.**—Assistance may be provided to a country under this chapter as a cash transfer only under an agreement requiring that the country use the cash transfer, insofar as practicable, to purchase United States agricultural commodities or products or other United States goods and services to the extent the country imports from other suppliers such commodities, products, goods, or services that are comparable to United States commodities, products, goods, or services and that are available in or from the United States at reasonably comparable prices. United States goods so purchased shall be deemed to have been furnished by the United States without provision for reimbursement within the meaning of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)). Section 901b(a)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1242f(a)(1)) shall not apply thereto.

“(c) **GAO AUDITS.**—In the case of any cash transfer under this chapter, the Comptroller General may monitor and audit the expenditure by the recipient country of the cash transferred. Each agreement under subsection (b) of this section shall include provisions to ensure that representatives or designees of the Comptroller General will have access to records and personnel necessary to carry out the monitoring and auditing required by this subsection.

“(d) **DEFINITION.**—For purposes of this section, the term ‘United States agricultural commodities and products or other United States goods and services’ means commodities grown or processed in the

United States, other goods processed or manufactured in the United States, and services available from persons having their principal place of business in the United States."

BRIEF EXPLANATION

Because international trade is vital to U.S. agriculture and our Nation's farmers, H.R. 3, as reported by the Committee on Agriculture, contains, in title VI, a comprehensive agenda for stabilizing and improving U.S. trade in agricultural commodities and products. Under title VI, the agricultural trade and export resources of the Department of Agriculture will be increased; agricultural export enhancement programs will be strengthened; an agricultural aid and trade mission program will be established; the work of nonprofit voluntary food donation agencies under the Public Law 480 and section 416 programs will be facilitated; export development programs will be made available for U.S. wood and processed wood products; actions to respond fairly and judiciously to imports of agricultural products that are deleterious to our Nation's agricultural economy will be provided for; and provisions are included to reflect the importance of U.S. agriculture in trade policy formulation and implementation.

In its consideration of H.R. 3, the Committee on Agriculture focused primarily on the agricultural trade provisions of title VI. The committee proposes no amendments to the other titles of H.R. 3, as introduced, but recommends a substitute for title VI of the bill, as introduced, that provides for a comprehensive agricultural trade program.

Following is a summary listing of the major provisions of title VI of H.R. 3, as reported by the Committee:

Subtitle A—Department of Agriculture operations

- A study of reorganizing the Department of Agriculture to improve its international and trade activities.
- Authorization for additional appropriations and additional personnel for the Foreign Agricultural Service of the Department of Agriculture.
- Establishment, in the Department, of an office to monitor trade practices and an office to provide assistance to victims of unfair trade practices.
- Requirement for annual long-term strategy reports to establish U.S. agricultural trade policy goals.
- Provisions to facilitate the work of private-sector agricultural export cooperators, including Department of Agriculture assistance in fighting trade cases in other countries.
- Sense of Congress language supporting international marketing education by land grant colleges and universities.
- Requirement that the Secretary of Agriculture provide technical assistance to the U.S. Trade Representative in trade negotiations.
- Reports on the use of Department of Agriculture financing programs to improve foreign handling facilities for U.S. agricultural exports, and on the use of food aid programs to serve direct market development objectives.

- Assessments of agriculture trade barriers.
- Study of Canadian wheat import licensing requirements.
- Authority for joint development assistance agreements with our trading partners to encourage use of U.S. agricultural commodities and products in multilateral development programs.
- Establishment as U.S. policy to use food aid and related programs more effectively to develop markets for U.S. agricultural commodities and products.

Subtitle B—Agricultural export enhancement

- Sense of Congress language that agricultural export development programs should be expanded, and that wheat sales to the Soviet Union should be made under the agricultural export enhancement program (EEP) of the Food Security Act of 1985.
- Increased authorization for use of Government commodities under the agricultural export enhancement program, and establishment of a priority under the program for traditional customers.
- Better operation of the agricultural export enhancement program through elimination of double-counting, for budget purposes, of commodities used in the program and valuation of the commodities at market value.
- Sense of Congress language encouraging use of agricultural barter programs.
- Extension of authority for banks for cooperatives to finance transactions of agricultural cooperatives in international trade.
- Standby authority for subsidized export sales of basic agricultural commodities in Government stocks.
- Sense of Congress language addressing the need for Japan and Korea to open their markets to U.S. beef.

Subtitle C—Agricultural aid and trade

- Establishment of a program of agricultural aid and trade missions, requiring missions to 15 low-income to middle-income countries within one year of the enactment of the bill. The missions would develop agreements that will increase shipments to the countries of U.S. agricultural commodities and products (through use of existing agricultural economic development and market development programs).
- Annual reports to Congress on the use and effectiveness of monetization by nonprofit voluntary agencies of commodities provided under title II of Public Law 480.
- Increased minimum levels of monetization under title II of Public Law 480 and section 416(b) of the Agricultural Act of 1949, and authority for monetization by cooperatives as well as nonprofit voluntary agencies, to assist in handling food aid commodities and development products.
- Provision for expedited administrative review of requests by nonprofit voluntary agencies and cooperatives of proposals for title II and section 416(b) projects.
- Expansion of the section 416(b) food donation program by adding commodities that can be used in the program and increasing annual minimum tonnages under the program.

- Requirement that the Secretary of Agriculture give nonprofit voluntary agencies and cooperatives fair opportunity to participate in the section 416(b) program for a friendly country once a program for the country is announced.
- Provision to encourage the use of multiyear agreements under the section 416(b) and Food for Progress programs.

Subtitle D—Wood and wood products

- Authority for concessional sales agreements under title I of Public Law 480 for wood and processed wood products.
- Authority for use of the title I private enterprise development program to finance low-income and medium-income housing in other countries.
- Authority for the use of the GSM-102 (short-term export credit guarantees) and GSM-103 (intermediate-term export credit guarantees) programs to finance export sales of wood and processed wood products.
- Authority for a marketing improvement and technical assistance program to improve domestic and foreign marketing of forest products by small-sized to medium-sized forest products firms and small forest landowners.

Subtitle E—Miscellaneous provisions regarding international agriculture and related programs

- Limiting Federal milk marketing order benefits for foreign-owned dairies.
- Taking into account excess casein imports and commercial stocks used in the dairy export incentive program in calculating the net CCC purchases trigger for milk price support reductions.
- Reporting requirement with respect to the use of foreign-grown tobacco in products sold into export.
- Requirement that the Secretary of Agriculture initiate negotiations with other major grain-producing countries on reducing grain production.
- Classifying programs to promote conservation and study of biological diversity as one of the self-help development measures that can to qualify a country as eligible for concessional sales under title I of Public Law 480.
- Sense of Congress language that the we should maintain our historic proportion of food assistance constituting one-third of all U.S. foreign economic assistance.

Subtitle F—Domestic markets for agricultural commodities and products

- Require that imported meat and meat food products bear country of origin labeling.
- Strengthen the prohibition, under the Federal marketing order programs for fruits and vegetables, against certain imports that fail to meet marketing order standards.
- Authorization for marketing promotion activities under the Federal marketing order for Florida-grown strawberries.
- Requirement for an on-going inventory of imported raw and processed agricultural products.

- Study of the effects of imported honey on the domestic honey production.
- Study of the effects of imported roses on the domestic rose-growing industry.
- Study of the effect of reducing or eliminating the section 22 authorities on the domestic dairy industry.
- Required plan for improved inspection of imported meat, poultry, and egg products and raw agricultural commodities for pesticide residues.
- Requirement that tobacco farmer contributions to the price support program no net cost funds be taken into account in any section 22 investigation.
- Reciprocal trade barriers to tobacco imports from countries that restrict access to U.S. tobacco.
- Provision for a countercyclical import quota system applicable to lamb meat, and a study on whether current lamb imports are excessive.
- Imposition of section 22 restrictions on imports of casein and related products.
- Imposition of section 22 or tariff restrictions on imports of articles containing agricultural products the imports of which are already subject to section 22 or tariff restrictions (applies only if the agricultural product involved make up more than 25 percent of the content of the article.)

Subtitle G—Trade policy formulation and implementation

- Sense of Congress language that enhancement of agricultural exports should be the first priority of U.S. trade policy.
- Requirement that members of the agriculture committees of Congress be accredited to congressional delegations at trade negotiation meetings.
- Sense of Congress language calling for appropriate action against Canada in relation to its recent imposition of a tariff on U.S. corn.
- Sense of Congress language calling on the Administration to respond vigorously to the recent action by the European Community imposing a tax on vegetable oils and fats.
- Sense of Congress language calling on the Administration to take appropriate action to respond to foreign import restrictions on U.S. citrus fruit and beef products.

Subtitle H—Foreign assistance programs

- Requirement that the President provide foreign economic assistance through commodity import programs in lieu of cash transfer, insofar as practicable.

PURPOSE AND NEED

Title VI (agricultural trade) builds on the fundamental changes in agricultural policy enacted in the Food Security Act of 1985 that sought to ensure that U.S. agricultural exports will be competitive in world markets.

The Food Security Act laid the groundwork for restoring U.S. agricultural competitiveness. While this new policy has only been

fully implemented for less than one year, already there are signs that lost markets for U.S. agricultural commodities and products are being won back.

For example, current projections point to an increase in the volume of U.S. rice exports of 36 percent over 1986. Other commodities are also registering gains, with cotton exports up 340 percent, wheat 12 percent, and feed grains 11 percent. In general, the volume of U.S. agricultural exports has increased four percent over the past year, to 114 million tons. The increase in volume has accompanied a modest reversal in the United States' declining share of world trade in major agricultural commodities, as indicated in the following table.

TABLE 1.—U.S. SHARE OF TRADE

	[In percent]						
	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Wheat	45	48	40	38	36	29	32
Coarse Grains	64	61	60	61	55	44	49
Soybeans	56	60	57	50	41	49	47
Cotton	30	33	27	35	30	10	29
Rice	23	21	20	17	17	19	20

While farm policy changes have arrested the slide in agricultural exports, the fact remains that the value and volume of U.S. farm exports are sharply below the record level posted in 1981. In 1981, U.S. farm exports totaled \$43.8 billion. In 1987, they are projected to be just \$26 billion. Export volume peaked at 163 million metric tons in 1980, but as stated above, will recover to only 114 million metric tons this year.

As the value of farm exports has declined, the value of farm imports has increased significantly. The increase in imports, coupled with the decline in exports, accounts for the marked drop in agriculture's contribution to our balance of trade. This contribution fell from a record \$26.5 billion in 1981 to an estimated \$6 billion this year. This erosion in net agricultural exports of almost \$20 billion represents about 12 percent of the United States' current annual trade deficit.

These facts make clear the need for additional measures to ensure that U.S. farm commodities can compete in markets throughout the world, and that imported products that compete with commodities produced in the United States are not allowed an undue advantage in the domestic market.

The direct link between farm exports and the health of the U.S. economy is apparent. The agricultural sector accounts for 18 percent of the U.S. gross national product and nearly 21 million jobs. One million U.S. workers are employed as a result of the production of agricultural products for the export market.

One very troubling statistic is that economists now estimate that each \$1 billion decrease in the level of exports causes the loss of 35,000 agricultural jobs and 60,000 nonagricultural jobs. Based on this estimate, the loss in farm exports over the past five years has

displaced over 595,000 agricultural workers and 1,020,000 positions in the general economy.

Similarly, agricultural imports have an effect in reducing U.S. employment. For example, it is estimated that, in 1984, imported agricultural products totaling \$19 billion cost the U.S. economy about 1.7 million jobs and over \$30 billion in economic activity.

It is also worth noting that total assets in farming and agribusiness today account for more than 50 percent of the combined assets of the manufacturing, retailing, and wholesaling industries in the United States. In 1986, farmers spent almost \$130 billion on production expenses, nearly 75 percent of which was spent off the farm. The dramatic effect on agribusiness resulting from the contraction in farm trade is evident in the following tables.

TABLE 2.—AGRIBUSINESS PLANT UTILIZATION MEASURES INPUT SUPPLIERS

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Pesticide manufacturing capacity utilized ¹ (percent)		80	78	73	80	54	47
Farm machinery purchases: ²							
2 WD Tractors	131	128	109	95	70	66	60
4 WD Tractors	8.9	11.3	10.9	9.8	6.8	5.2	3.8
S-P Combines	32	33	26	27	16	13	10
Fertilizer manufacturing anhydrous: ³							
Production	17.2	18.9	19.5	17.7	13.8	15.1	12.8
Capacity	22.0	20.4	20.8	20.9	19.8	17.8	16.0
Percent utilization	78	93	94	85	70	85	80
P ₂ O ₅ wet process:							
Production	9.2	9.9	10.3	7.8	8.6	9.9	8.1
Capacity	9.6	9.8	10.4	10.7	10.7	10.9	11.4
Percent utilization	96	101	99	73	80	91	70
Potash:							
Production	2.3	2.5	2.4	2.2	1.9	1.6	1.5
Capacity	3.2	2.9	2.9	2.9	2.8	2.5	1.8
Percent utilization	72	86	83	76	68	64	83

¹ USDA: Economic Research Service (calendar year).

² USDA: Economic Research Service (calendar year) (thousand units).

³ Million Short Tons (fiscal year), USDA Economic Research Service, Tennessee Valley Authority—Marketing and Distribution Economics Section.

TABLE 3.—AGRIBUSINESS PLANT UTILIZATION MEASURES PROCESSING INDUSTRIES

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Soybean processing capacity utilized (percent) ¹	80	79	72	70	71	64
Flour milling capacity utilized (percent) ²	90.5	87.5	86.5	87.1	92.8	86.1
Meat processing R.O.S. (percent) ³	1.0	1.0	0.7	0.9	0.8	.....
Transportation rail cars:						
Capacity ⁴	133.0	132.7	134.9	130.4	129.6	124.5
Carloading ⁵	27.5	29.3	26.3	24.9	26.1	27.3
Barges loadings ⁶	31.1	37.5	37.9	41.1	40.8	36.3
Grain export capacity utilized (percent) ⁷	77	68	67	55	55	55

¹ NSPA.

² Census Bureau, based on 6 day runtime capacity.

³ American Meat Institute (calendar year).

⁴ Capacity: Million tons annually.

⁵ Carloadings: (thousand cars weekly average) calendar year). Source: USDA: Economic Research Service.

⁶ Annual monthly loadings (Mil Bus.). Source: USDA: Economic Research Service.

⁷ Source: Sparks Commodities (calendar year).

While farm trade is of major importance to the health of the entire U.S. economy, it is critical to the survival of the U.S. agricultural sector.

In 1981 farm exports comprised a record 30 percent of total farm cash receipts—twice the level of a decade earlier. However, in 1987, the share of farm receipts attributable to exports is expected to be only 19.5 percent. As a consequence, the increase in direct Federal farm program payments in 1987, when compared to 1981, represents an amount equal to 80 percent of the decline in the value of farm exports during the same period.

More competitively priced U.S. farm commodities and a more reasonably valued U.S. dollar have contributed to an improved outlook for agricultural trade. American agriculture during the past few years has made many painful adjustments in order to position itself to take advantage of improved trade opportunities. However, to realize the full benefits of a brighter export picture, U.S. producers must be able to depend on fair and open markets throughout the world. The purpose of title VI is to ensure this necessary access on behalf of U.S. farmers.

REORGANIZATION STUDY

Public Law 98-412, the Agricultural Trade and Export Policy Commission Act, created a commission to study and make recommendations to the President and Congress concerning agricultural trade and export policies, programs, and practices of the United States. One of the major recommendations of the Commission's July 1986 report was the reorganization of the Department of Agriculture to place more emphasis on agricultural trade policy. The Commission proposed that the Department be made the lead Government agency for all matters concerning agricultural trade and agricultural trade policy. In addition, various offices were proposed while others would be reassigned within the Department to better coordinate trade activities.

In the 99th Congress, many of these recommendations were incorporated by the Committee on Agriculture in H.R. 4800, which was later approved by the House of Representatives. H.R. 3 as introduced also included these recommendations. While these recommendations received substantial support from a number of agricultural organizations, the Committee received testimony from Administration and General Accounting Office officials that in their judgment, certain of these provisions of H.R. 3 were not needed, since the Secretary of Agriculture is currently a member of the cabinet-level Economic Policy Council and the Trade Negotiating Committee, and the Under Secretary of Agriculture for International Affairs and Commodity Programs is a member of the Trade Policy Review Group. In addition, a senior departmental official represents the Department of Agriculture on the Trade Policy Staff Committee. The Committee was further advised by the Administration that the Department of Agriculture has adequate infrastructure to coordinate agricultural trade policy and that restructuring the Foreign Agricultural Service and establishing new offices in that agency were unnecessary and created new levels of bureaucracy. While agreeing with this view, the General Accounting Office

advised the Committee that some administrative changes would be needed for better coordination among agencies of the Department.

While reorganization proposed by the Commission may be subject to further examination, there is merit in improving the management activities of the Department of Agriculture in international trade activities. Thus, title VI will require the Secretary of Agriculture to study the reorganization proposal with the assistance of a private sector advisory committee composed of individuals with experience in international agricultural trade. The bill would require the Secretary to report findings of the study, together with the views and recommendations of the private sector advisory committee, not later than April 30, 1988.

Title VI includes several of the organizational recommendations of the Commission: those that would establish offices within the Department of Agriculture to continuously monitor trade-related policies and practices of other countries and provide assistance to U.S. citizens and organizations damaged by unfair agricultural trade practices and policies. The Commission's view that agricultural trade policy decisionmaking is currently a process of "fits and starts" with emphasis on short-term rather than long-term objectives is well taken. Accordingly, title VI includes a provision that requires the Secretary of Agriculture to submit with the Department's budget recommendation annual long-term agricultural trade strategy reports containing policy and spending goals for United States agricultural trade and exports for one, five, and ten-year periods.

AUTHORIZATION FOR ADDITIONAL APPROPRIATION

Concern has been expressed that resources provided for the Foreign Agriculture Service of the Department of Agriculture may not be adequate given the expanded responsibilities mandated by Congress in the last few years. For example, the Food Security Act of 1985 mandated 12 new or expanded export promotion programs. These programs are in addition to ongoing activities of the Foreign Agricultural Service, such as the Public Law 480 Program, market intelligence, market development, and international economic analysis.

H.R. 3 as introduced provided that increased resources would be made available to the Foreign Agricultural Service through the reorganization proposal encompassing reallocation of personnel and activities of other agencies of the Department, as was proposed by the National Commission on Agricultural Trade and Export Policy.

Because the bill only provides that a reorganization study be made, it is necessary that resources be made available to the Foreign Agricultural Service over and above that normally appropriated for current activities. The bill's specific dollar amounts and program allocations are based on information gathered by the National Commission on Agricultural Trade and Export Policy during its two-year evaluation of export promotion programs of the Department of Agriculture.

The increased funds authorized will be used for the following purposes:

(1) agricultural attaches—to provide for increased costs resulting from the decline in the value of the dollar and local wage and price increases, and to provide necessary field support for activities relating to the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade.

(2) international trade policy activities—to maximize efforts to improve marketing access through bilateral activities and to provide necessary international staff support for the Uruguay Round.

(3) World-wide market information system—to increase the information gathering capabilities of Foreign Agricultural Service including expansion of the telecommunication system with overseas posts; to develop a data system to communicate trade leads and contacts to State departments of agriculture; support remote sensing activities of the Service; and to provide for improved hardware and software system support for inter-departmental communication and for overseas posts.

(4) expanded foreign market development—to maintain market expansion work on a constant dollar basis; to permit increased and improved participation in trade shows, exhibitions, and other promotional efforts; to expand the number of agricultural trade offices; to promote the export of high value and value-added commodities; to provide adequate staff to plan, administer, and evaluate market development programs; and to expand the export product review program that assists U.S. exporters by providing detailed advice on foreign food laws and regulations.

INCREASED PERSONNEL LEVEL

As noted earlier, Congress has not authorized increases in funding for the Foreign Agricultural Service for implementation and expansion of programs mandated in the Food Security Act of 1985. In addition, Congress provided no additional funds to the Service for its 25 overseas agricultural trade offices mandated in the Agricultural Trade Act of 1978.

Since fiscal year 1977, Foreign Agricultural Service staff years have been reduced from 897 to a current level of 800 despite increases in the agency's responsibilities. This decrease in staff years has resulted in a reduction in the agency's capacity to maintain necessary trade monitoring and market development activities, a reduction in overseas staff assignments, and a failure to meet the congressional goal of 25 agricultural trade offices overseas. In fact, staff positions overseas have been reduced by 21 staff-years since 1980, and the Department is now considering the elimination of the agriculture trade office in Tunis, Tunisia.

The increased emphasis on agricultural trade activities requires that the total ceiling for staff years be restored to a level approximating the fiscal year 1977 level and, therefore, title VI authorizes that the number of personnel in the Foreign Agricultural Service be increased to not less than 900 staff years through FY 1990.

In carrying out this provision, the Foreign Agricultural Service should give greater attention to the recruitment of personnel with

training and expertise in such areas as international relations, finance, and marketing.

CONTRACT AUTHORITY

Currently, the Department of Agriculture does not have contract authority to employ individuals outside the United States for personal services to be performed in a foreign country. The bill provides the Secretary of Agriculture with the flexibility to rapidly acquire and redirect resources to meet expanding and changing requirements and marketing opportunities in a dynamic manner patterned after the way private business is able to operate. This authority parallels that already provided to the Agency for International Development and the Department of State to meet a variety of needs recognized by Congress.

FOREIGN MARKET DEVELOPMENT COOPERATOR PROGRAM

Testimony received by the Committee indicates very strong support within the agricultural community for expansion of the Department of Agriculture's foreign market development cooperator program.

The bill endorses this view by reaffirmation of congressional support for this program and the cooperator organizations.

The Committee's recommendation also gives the Secretary of Agriculture the authority to make available to cooperator organizations Commodity Credit Corporation-owned commodities for the export promotion and development work overseas. This provision will ensure that those commodities do not supplant annual appropriations but are used in addition to appropriations for the work of the cooperator organizations. The use of excess commodities can be pivotal in the work cooperators do in securing new markets and maintaining existing sales opportunities for U.S. agricultural commodities. This new authority, however, cannot come at the expense of the Federal Government's annual cost-sharing.

USE OF TARGETED EXPORT ASSISTANCE FUNDS IN DEFENDING CERTAIN COUNTERVAILING DUTY ACTIONS

The Ontario Corn Growers recently instituted a countervailing duty action against exports of U.S. corn. This is the first-ever countervailing duty action against agricultural exports from the United States. This is a matter of great concern because this action may act as a precedent for other actions brought by other countries to erect new import barriers against U.S. agricultural commodities.

If U.S. producers and processors are faced with multiple countervailing duty cases in different countries, the cost of defending against those cases will quickly overwhelm the resources of those organizations representing the producers and processors.

It is necessary and appropriate to provide assistance through the targeted export assistance (TEA) program to producer and processor organizations seeking to prevent the creation of new trade barriers to U.S. agricultural commodities, and title VI authorizes such assistance.

LAND GRANT COLLEGES AND UNIVERSITIES

Given the current challenges to U.S. agricultural competitiveness that exist in the world market, it is essential that additional emphasis be placed on international marketing of U.S. agricultural commodities. Land grant colleges and universities are particularly well placed to service this objective, as provided in H.R. 3 as reported by the Committee.

REPORTING BY SECRETARY OF AGRICULTURE

The Committee is concerned that export credit and other trade assistance programs of the Department of Agriculture are not fully used in low-income and middle-income countries for the establishment of facilities to properly handle imported agricultural commodities and promote livestock production. The Committee has, thus, included a provision requiring the Secretary of Agriculture to submit not later than December 31, 1987, a report on the use of such authorities for the establishment of these facilities.

In addition, to ascertain how effectively the Department of Agriculture and Agency for International Development are developing markets abroad, the bill will direct the Secretary, in consultation with the Administrator of the Agency for International Development, to report annually to Congress on the extent that Department of Agriculture's trade assistance programs and technical and economic assistance programs of the Agency for International Development serve direct market development objectives of the United States.

ASSESSMENT OF AGRICULTURAL TRADE BARRIERS

Title VI will require the Department of Agriculture to take a more active role in the preparation of the National Trade Estimate Report, as required by section 303 of the Trade and Tariff Act of 1984. This report represents a blueprint for Government policy initiatives with respect to the reduction of unfair trade barriers, policies, and practices. In addition, the National Trade Estimate Report also provides a list of items that could be discussed in trade talks, as well as an important summary of actions already taken to reduce trade barriers. Because of the importance of this report, it is vital to the U.S. agricultural community that complete and comprehensive information on barriers to the trade agricultural commodities and products be published in this document.

It should be noted that the Department of Agriculture's participation in preparing prior reports was not readily ascertainable. In fact, in the past, the report has included only a limited discussion of unfair trade barriers for agricultural commodities. The Committee notes the work of the United States Trade Representative in developing a work plan with U.S. embassies abroad, the private sector, and other Government agencies to verify and update the report and incorporate other significant barriers to U.S. industry and agriculture. The assessment required under title VI will supplement those efforts of the U.S. Trade Representative.

Further, it is important to carefully consider the various trade barriers existing with respect to agricultural commodities. Agricultural products and agricultural commodities are not one and the

same, and any report should be careful to distinguish between the different barriers experienced by commodities as opposed to products. The 1986 report considered certain agricultural products to be agricultural commodities, and focused more carefully on these products. The bill will enable the Department of Agriculture to assist the U.S. Trade Representative in making this distinction more carefully.

In addition, the 1986 report failed to discuss some obvious trade barriers existing in agricultural commodity trade. Again, the Department of Agriculture's expertise in this area will be important in addressing this concern.

To effectively address the agricultural trade deficit, a key concern, the bill will require a report within six months after the date of enactment of the bill. Because of the importance of this issue and the continued concern about the agricultural trade deficit, the bill will require updates on this report every six months.

The new assessment under the bill will serve several important needs. First, the U.S. Trade Representative will be able to provide the House Ways and Means Committee and the Senate Finance Committee with a more comprehensive assessment of unfair trade barriers in the trade of agricultural commodities. The House Ways and Means Committee and the Senate Finance Committee will therefore be more fully informed about issues of concern to this Committee.

This report will also assist this Committee and the Senate Committee on Agriculture, Nutrition, and Forestry in the performance of their respective duties and oversight responsibilities.

A STUDY OF CANADIAN WHEAT IMPORT LICENSING REQUIREMENTS

Currently, Canadian importers of wheat and wheat products containing a minimum of 25 percent wheat from the United States must obtain import licenses from the Canadian Wheat Board. These importers must prove that such products are not readily available in Canada. This licensing requirement results in a non-tariff trade barrier, which Canada, as a member of the General Agreement on Tariffs and Trade should eliminate.

To assess the effect of the Canadian Wheat Board's import licensing program on the exportation of U.S. wheat and wheat products, the bill will require the Secretary of Agriculture to conduct a study in this record and report its findings to Congress not later than 90 days after its enactment.

JOINT DEVELOPMENT ASSISTANCE AGREEMENTS

To provide additional sales of U.S. food products and to increase economic development activities around the world, the bill will require the Secretary of Agriculture, in consultation with the Secretary of State, to compile a list of countries that have substantial trade balance with the United States. The President will be authorized to enter into joint venture agreements with those countries to finance economic development projects in developing countries using food aid, part of which would be purchased from the United States by the country cooperating with the United States.

FOOD AID AND MARKET DEVELOPMENT

There is a need for more effective methods of developing overseas markets through better use of food aid and agriculturally-related foreign economic assistance programs.

Additionally, it is a matter of concern that last year, when the U.S. Government was negotiating an agreement to sell 90 million pounds of beef to Brazil at concessional prices, that country was also signing a five-year protocol with a third country to purchase up to two million metric tons of wheat annually. Thus, the bill includes a provision requiring the Secretary of Agriculture to include a term in food assistance agreements with foreign countries that the United States be given preference in future food purchases by that country. This provision is designed to avert situations such as occurred in 1986 between the United States and Brazil.

EXPORT ASSISTANCE PROGRAMS

A broadening of the list of countries eligible for the agricultural export enhancement program (EEP), a reduction of the list of conditions placed on such countries, and a more liberal application of GSM-102 and GSM-103 agricultural export credit programs will help the United States reduce the vast and expensive surplus agricultural commodities now in storage. It is appropriate that foreign governments eliminating trade barriers should be rewarded through use of the export enhancement program. Accordingly, there should be full funding of the export enhancement program and the Department's export credit guaranteed programs.

Further, title VI contains sense of Congress language that the President should approve the sale of wheat to the Soviet Union under the export enhancement program.

EXPORT ENHANCEMENT PROGRAM MODIFICATIONS

In the Food Security Act of 1985, the Secretary of Agriculture was required to give priority in the export enhancement program to foreign customers who purchase quantities of commodities at levels *greater than* their traditional levels of purchases. Title VI contains language to include in the priority category foreign customers who purchase commodities at levels *equal to* their traditional levels of purchase.

The continued viability of the export enhancement program would be threatened if traditional customers were allowed to exhaust the limited funding of the program assisting sales that U.S. exporters customarily secure. The Committee, therefore, adopted the above-noted provision to ensure expanded use of the export enhancement program while allowing the Secretary to use his discretion in making the export enhancement program available for sales *equal to* traditional patterns, thus making it possible to maximize the program's purpose of bringing in additional foreign purchases.

Under present accounting schemes, the value of commodities acquired by the Commodity Credit Corporation under price support programs and subsequently used in the export enhancement program to help generate commercial sales of U.S. farm products to foreign buyers is, in effect, scored twice against the agricultural

budget—once during the year that the loan collateral is forfeited to the Commodity Credit Corporation, and again when the commodity is used to complete an export enhancement transaction. Accordingly, the bill will direct that the use of commodities in generating additional foreign sales of U.S. agricultural products under the export enhancement program not be counted against the Department of Agriculture budget as a current-year outlay expense, thus eliminating the duplication. Treatment of commodities used in the export enhancement program should be distinguished from the budgetary effect of domestic generic or commodity-specific certificates that do not result in creation of additional foreign sales since the latter usage may actually result in displacement of domestic supplies that otherwise might be absorbed by the marketplace.

Used in conjunction with other export promotion tools available to the Secretary, the export enhancement program gives the Secretary one of the most important weapons available to ensure that foreign competitors do not displace U.S. sales. In addition, the program sends an unequivocal signal to our competitors that we intend to reverse the precipitous slide in U.S. agricultural exports that have decreased U.S. market share and have subsequent adverse ramifications on the domestic farm economy.

Since the inauguration of the Uruguay Round of GATT negotiations, the Administration has expedited its use of the export enhancement program in a renewed effort to force an early resolution to the agricultural issues surrounding the current talks.

While export enhancement sales have stimulated new sales of grains in traditional U.S. markets, at the expense of some competitors who had been offering deep subsidies and who are now expressing grave concerns about the aggressiveness of United States actions, the success of the current GATT negotiations, with respect to agricultural trade, hinges on continued pressure on the other parties to the negotiations. At the current pace of offerings, the existing level of authority is likely to expire prior to the conclusion of the current negotiations, which may well also stretch beyond the 1988 deadline on the export enhancement program. Indeed, in response to questioning on the use of the program during the Committee's hearing on H.R. 3, Agriculture Secretary Lyng indicated that the Department intends to use fully the existing authority to offer \$1.5 billion worth of CCC-owned commodities. The General Accounting Office in its testimony said, "we believe Congress needs to address the issue of adequacy of the amount of the bonus commodities under the program."

Based on this testimony, includes a provision to ensure that the program will have sufficient resources to allow it to continue at its existing pace of approximately \$500 million per year over the life of the Food Security Act. Besides its importance in increasing U.S. agricultural exports, which the Department of Agriculture estimates have resulted in approximately 33 percent more sales than would have been made in the absence of the bonuses, the bill sends two strong signals to our competitors: one, in making the program coterminous with reforms in domestic programs to make U.S. crops more competitive, it tells our competitors that the United States will compete aggressively at the same it readjusts its domestic commodity programs to the world market environment; and two, that

we will fund adequately the main tool at our disposal to counteract unfair trading practices while new GATT negotiations are under way.

Title VI also includes a provision expressing the sense of Congress that the Department of Agriculture should use current market values in accounting for the value of commodities distributed under the export enhancement program. The purpose of this amendment is to enhance that commodities used in making EEP-assisted sales are accurately and appropriately valued for purposes of determining how many offerings may be made under the authority granted to the Secretary by this legislation and the Food Security Act.

In administering the program, the Department of Agriculture can account for EEP sales in one of two ways: One, it may use the value that reflects the cost of outlays made by the Commodity Credit Corporation to acquire the commodities, through crop loan forfeitures, and to store the commodities; or two, the Department can value EEP commodities at their market value at the time it issues certificates that are redeemable for stocks held by the Commodity Credit Corporation.

The need for the bill's provision is to avoid unnecessarily inflating the costs of commodities used in the export enhancement program, costs that have been already reimbursed to the Commodity Credit Corporation through appropriations and to ensure that the use of this program can be accurately reflected in using market values. Indeed, in many respects, this provision indicates the support of the Committee for deliberations under way at the Department making a change that puts the accounting for the program on a more business-like and accurate basis. The bill sends the message that the Department of Agriculture should not undermine the intent of Congress in seeing that the export enhancement program is used aggressively and to the full limit of its legal authority by continuing to use outdated accounting methods.

BARTER AGREEMENTS

The Food Security Act of 1985 contains two provisions (sections 1129 and 1167) mandating that the Secretary of Agriculture establish a pilot barter program for agricultural commodities. Although the Secretary has advised the Committee that no barter agreements have been signed to date, it is important to continue to support implementation of these provisions of the 1985 farm bill, and title VI includes an amendment reemphasizing Congress' support for a pilot barter program.

EXTENSION OF AUTHORITY TO FINANCE COOPERATIVE TRANSACTIONS

In 1980, Congress authorized the Farm Credit System's banks for cooperatives to finance trade activities of U.S. farm cooperatives. Since implementing this authority in 1982, through the Central Bank for Cooperatives, the banks have financed over \$5 billion in U.S. farm exports to 27 countries. In 1986, nearly \$1.2 billion in agricultural export sales to 22 countries were financed. To date, the banks have not had a single loan loss, nor are any loans classified as vulnerable.

The banks' 1980 trade financing authority expires in 1990. Without lifting this sunset, the banks cannot properly design long-term marketing strategies to be effective in the international arena. Accordingly, title VI contains a provision to eliminate the ten-year sunset provision imposed in 1980.

EXPORT SALES OF GOVERNMENT STOCKS AT SUBSIDIZED PRICES

Under present law, it is sometimes difficult to determine precisely what actions the Secretary of Agriculture has to retaliate on behalf of U.S. producers when a favorable determination has been made by the President under a section 301 petition. The bill includes a provision that expressly authorizes the Secretary to subsidize the export sale of any basic commodity in such event, but the subsidy is not to exceed an amount equal to the cumulative costs to the Treasury (including revenues foregone) from holding the basic commodity in Government stocks instead of selling it.

JAPANESE AND KOREAN BEEF MARKET

Although the United States maintains a relatively open and free trade policy for Japanese and Korean imports, these countries have considerable trade barriers that limit imports of U.S. beef and beef products.

In August 1984, Japan and the United States signed a four-year beef agreement providing for an annual increase of only 6,900 metric tons of beef imports from the United States although the United States could provide considerably more beef exports to Japan with a liberalization of Japanese import policy. Similarly, the U.S. could export high-quality beef to the Republic of Korea if that country eliminated its beef import ban that the United States now finds is in contravention of Korea's obligations under the General Agreement on Tariffs and Trade.

Title VI includes expressions of the sense of Congress that the U.S. Trade Representative would negotiate with Japan and Korea to obtain greater access for U.S. beef products. The bill stipulates that the U.S. Government should use all available means, including retaliation, to encourage Japan and Korea to open their markets to U.S. beef imports.

AGRICULTURAL AID AND TRADE MISSIONS

U.S. agricultural exports have deteriorated substantially over the last five years; specifically, agricultural exports declined by more than 40 percent since 1981, from \$43.8 billion per year to \$26.3 billion in 1986. In addition, the United States' market share of agricultural commodities and products has dropped worldwide by 28 percent during these same five years. In fact, for the first time in 15 years, the United States incurred monthly agricultural trade deficits in 1986.

The loss of every \$1 billion in U.S. agricultural exports causes the loss of 35,000 agricultural jobs and the loss of 60,000 nonagricultural jobs. This loss of agricultural exports threatens family farms and the economic well-being of rural America.

The Food Security Act of 1985, together with existing legislation, provides a broad array of tools designed to assist in developing

export markets for U.S. agricultural products. Better use and better coordination of these tools is necessary to realize their full potential. The purpose of the aid and trade missions proposal in title VI is to include in one small group the expertise necessary to explain the totality of these programs to representatives of other countries and to have this group met with those U.S. officials responsible for implementing these programs in the country involved and with those host country officials and private organizations who would be the end users of these programs.

Underlying the legislation's rationale is the phenomenon that developing countries have replaced industrialized countries as the fastest growing markets for U.S. agricultural products. Indeed, between 1974 and 1985, the net increase in imports of U.S. agricultural products was larger both in terms of percentages and dollars among the developing countries than the developed countries.

Korea is a graphic example of a country that, while increasing its own per-capita production of agricultural commodities, also increased dramatically its purchases of U.S. agricultural commodities. In the period 1971-1973, the U.S. exported an average of \$368 million of agricultural commodities annually to Korea, nearly half of which was Government-supported. The average for the 1980-1983 period was \$1.7 billion, all of it commercial exports. Between these two periods, per capita agricultural production in Korea increased 27 percent. Development of a country's agricultural sector is the critical first step to a country's overall economic development. As incomes rise, diets diversify and increase, and both imports and exports (which generate the foreign exchange needed to pay for imports) increase.

Given the above, it is important that the country's approach to increasing exports of U.S. agricultural products be an integrated one, using all existing tools for both food aid and trade. However, there is a clear need for better targeting and more specialized use of these programs. The proposed aid and trade missions provision adopted by the Committee provides an integrated approach toward increasing exports of U.S. agricultural products to developing countries. The missions would seek to obtain commitments for use of the export enhancement program, the dairy export incentive program, the short-term export credit guarantee program (GSM-102), the intermediate export credit guarantee program (GSM-103), with emphasis on construction of infrastructure, Titles I and II of Public Law 480, Section 416 of the Agricultural Act of 1949, and other agricultural aid and trade programs.

Use of the aid and trade missions should result in the use of a variety of these programs simultaneously in the developing countries involved. A mix of both sales and donations is justified, as is prudent market development. The United States' donations of food aid through Public Law 480 exceed any other country's donations, but have not necessarily succeeded in stimulating cash sales by the recipient countries. The aid and trade mission provisions will maximize U.S. agricultural exports by identifying and implementing concurrent U.S. programs that best suit the needs of developing countries.

In addition, this legislation provides for expanded use of existing authorities. For example, existing law permits partial or full sales

of Section 416 and Title II of Public Law 480 commodities for development projects administered by nonprofit voluntary agencies and cooperatives. However, current administrative practice has been to limit severely the purposes for which local currencies may be generated under these programs. Since increases in the amount of funding available for foreign assistance purposes are likely to be difficult to obtain, the use of commodity surpluses for this purpose will likely increase. Thus, if surplus commodities are viewed as a potential development resource, then it follows that sales for local currencies to fund development projects should be more widely used. Such development projects ultimately lead the economies of developing countries to an economic position whereby they can increase their agricultural imports. This legislation doubles from five percent to ten percent the floor on the value of the commodities which must be used for local currency for both Title II of Public Law 480 and section 416.

Anticipating an increased demand for surplus commodities under these programs, the bill provides that the minimum tonnage under section 416(b) for grains and oilseeds be increased from 500,000 to 800,000 metric tons and for dairy products from 150,000 to 200,000 metric tons. Recognizing current budgetary constraints, the bill requires that the increased minimum tonnage requirement be subject to appropriations. This is not intended in any way to constrain the Department of Agriculture's current authority to make surplus commodity allocations that exceed minimum tonnage requirements.

It should be noted that, under section 416 (b) currently, the Administration will ship 636,000 metric tons of grain and 150,000 metric tons of dairy products in the fiscal year. These shipments of grain are far above the current minimum.

Consistency, continuity, and a relative amount of certainty are important elements in carrying out development programs. Unfortunately, the administrative side of some of these programs has been characterized by restrictive guidelines, delays in approvals, and a strong aversion to multiyear programs and to use of processed foods. Experience shows the Development Coordination Committee is all too frequently a source of delay or even outright blocking of valid development proposals. For example, a section 416 CARE maternal and child health program in Mexico took approximately two and one-half years to approval from that committee. Long delays in obtaining previously approved commodities were experienced by Land O'Lakes cooperative projects in Jamaica.

The bill provides for review of and comment on administrative guidelines by interested parties, a 45-day limit on the approval procedure, and strong encouragement of the use of multiyear programs. The requirement of a 45-day approval time limit on nonprofit voluntary agency or cooperative proposals should greatly expedite and enhance these programs. Multiyear programs are frequently necessary to assure viability of a voluntary agency or cooperative project. Requiring annual allocations can be very time consuming and can result in critical delays. Since multiyear commitments are always made subject to the availability of commodities, there is no risk to the United States.

DEVELOPING MARKETS FOR WOOD AND WOOD PRODUCTS

After peaking in 1979 and 1980, the volume and value of U.S. wood exports have declined in recent years, according to a recent Congressional Research Service study (87-208 ENR). Title VI contains provisions designed to increase the value and amount of exports of U.S. wood and wood products. Some representatives of the forest products industry say that access to adequate financing is a major factor influencing the ability of U.S. forest products firms to export their products, particularly with respect to developing countries. In addition, some smaller wood product firms and forest managers have voiced a need for a program to better acquaint them with the mechanics of foreign marketing and with other countries' product needs. As described below, these provisions are intended to address both of these concerns.

Developing markets for wood and processed wood products under Public Law 480 and the short- and intermediate-term credit programs

Although some sales of wood products have been accepted in the past for credit guarantees under the GSM-102 short-term credit program, questions have been raised as to the eligibility of such products for this and other programs. It is the purpose of title VI to explicitly authorize the eligibility of wood and processed wood products as agricultural commodities or products under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and the short-term and intermediate-term credit programs of the Department of Agriculture (GSM-102, GSM-103).

In addition, the bill clarifies that the construction of certain housing and shelter is a permissible activity under the sales for local currencies provision of Public Law 480.

Questions have been raised as to the extent to which wood products may be processed and still be deemed to be agricultural products, and thus eligible for the Department of Agriculture credit programs. The distinction is important because manufactured products, in the past, have not been eligible for these programs. To address this question, the term "wood and processed wood products" will be defined to include, but not be limited to, a specific list of such products.

The explicit inclusion of wood and processed wood products as agricultural commodities, and the listing of some qualifying wood and wood products, are intended to clarify and strengthen the authority of the Secretary of Agriculture to include these products in the pertinent credit programs. It is expected that the Secretary, given this explicit authority and directive, will expand the use of the programs for wood and processed wood products beyond current levels.

Use of Department of Agriculture Programs

With regard to the export programs of the Department of Agriculture's Commodity Credit Corporation, the Committee believes that the Secretary of Agriculture should take the lead role in determining the usage of these programs. While consultation with other Government agencies is appropriate, disapproval by these

agencies should not interfere with the use of credit for promoting wood and processed wood products trade.

FOREST PRODUCTS COMPETITIVE MARKETING ACT OF 1987

Title VI would establish a cooperative national forest products marketing program to promote the sale of forest products both in the United States and abroad. This marketing program would be administered by the Secretary of Agriculture acting under authority of the Cooperative Forestry Assistance Act.

The United States remains a net importer of forest products, with a trade deficit of \$5.7 billion in 1985. Yet, tremendous potential exists to expand the range of domestic and foreign markets for U.S. wood products. This potential can be realized by better use of domestic forest resources and improvement in the competitiveness of the U.S. forest products industry.

Timber growth and yield on forestlands in the United States continues to exceed timber removals. Much of our most productive forestland is in private, nonindustrial ownership. Although many private forest landowners could produce timber and other forest products from their lands, many lack the incentive or desire to do so. Of those who wish to produce timber and other products, many are unaware of existing or potential markets.

Similarly, domestic processors of forest products often lack the tools and resources to effectively identify and develop markets for their products. Since major domestic markets for forest products are far from the source of supply, only processors of sufficient size are able to benefit from these markets. In addition, because the sizes and specifications for wood products used in foreign markets can vary from those in the United States, only firms that are aware of these differing product needs can compete in these markets. Although some trade associations actively engage in foreign and domestic marketing, many focus on a single product or specific markets. Greater assistance to small-sized and medium-sized forest products processors and forest landowners is needed to improve their competitiveness in domestic and foreign markets.

The program authorized by the bill would provide direct technical assistance to forest products processors and forest landowners, through cost-share grants to the States, to support marketing programs. Assistance is to be targeted to small-sized and medium-sized producers of solid wood and processed wood products, including pulp. The program is to be administered by the Secretary in a manner consistent with the implementation of the highly successful cooperative forest management program.

Grant agreements with the States shall be on a cost-share basis, and are to encourage coordination among forest products processors and private, nonindustrial forest landowners, including interstate agreements by the States. The purpose of these agreements is to promote development of domestic and foreign wood product market needs. In carrying out this authority, the Secretary is to ensure cooperation with other related Federal departments and agencies, including the Department of Agriculture's Foreign Agricultural Service and the Department of Commerce. The Foreign Agricultural Service has primary responsibility in the Department

for promoting the development of export markets for forest products through its market development and credit assistance programs. The marketing program authorized by the bill is to be carried out within the United States and is not intended to conflict with the activities of the Foreign Agricultural Service in foreign countries.

The Secretary is to report to Congress annually on the activities taken under the marketing program. In addition, for the purpose of evaluating program effectiveness, the Secretary is to submit a final report to Congress that includes a summary of activities carried out under this authority, by State and region, recommendations for program changes and the desirability of program reauthorization, and required levels of program funding for effective implementation of the program. This report must be submitted no later than September 30, 1990.

ALLOCATION OF CERTAIN MILK

There have been reports of foreign-owned companies establishing dairies in the United States financed through industrial revenue bonds and that these dairies are being established to take advantage of shortages of milk in certain regions of the country. These new dairies will adversely affect the whole-herd dairy buy out program under the Food Security Act of 1985 and negate the tremendous sacrifice U.S. dairy farmers are making in reducing Federal milk program costs.

Title VI thus includes a provision that will classify milk handled by such dairies as other source milk for the purpose of the milk marketing program under the Agricultural Marketing Agreement Act of 1937 and will ensure that the taxpayers of this country do not support the establishment of large foreign-owned dairies. This provision would not be applicable to any dairy that has begun operation before May 6, 1986.

EXCESS CASEIN IMPORTS

U.S. dairy farmers have been remarkable in their efforts to resolve the national overproduction problem. Part of their effort is reflected in their response to the dairy termination program, which has proven to be very successful. Farmers have made that success possible through monetary assessments that helped reduce national milk supplies and Government surplus purchase costs.

The Department of Agriculture, in fact, now estimates that net Commodity Credit Corporation costs for the dairy program will decline from the \$2.3 billion level in 1986 to \$1.2 billion in 1987 and \$1.1 billion in 1988.

Milk production and demands are in balance in nearly every region of the country, yet dairy farmers may be facing penalties next January because casein imports may trigger another price support cut.

As part of the 1985 farm bill, a support price cut of 25 cents occurred last January 1, and another is due on October 1. Under the law, the Administration may impose still another cut of 50 cents per hundredweight on January 1, 1988, if estimates of CCC purchases exceed 5 billion pounds for 1988.

The Department of Agriculture is currently predicting that CCC purchases will exceed that 5-billion pound cutoff, reaching roughly 5.7 billion pounds in 1988. About 28 percent of the estimated government purchases in 1988 can be directly attributed to increases in casein imports. Casein imports in 1988 are projected to be 1.6 billion pounds more than the average annual level of imports during the period 1981 through 1985.

Thus, U.S. dairy farmers could be penalized because of a situation over which they have no control—increasing amounts of casein imports.

Also, dairy products sold directly from commercial stocks under the dairy export incentive program are presently counted as CCC purchases.

The proposal adopted by the Committee will prevent the unfair inflation of estimated government purchases of milk by instructing the Secretary of Agriculture to recognize the increase in casein imports and, if the imports are not reduced, to lower CCC purchase estimates for 1988 by a milk-equivalent amount equal to the increase in casein imports. In addition, the Secretary must count direct sales from commercial stocks under the dairy export incentive program as CCC surplus purchases. The 5-billion pound level would then not be exceeded and the January 1988 cut would not be triggered.

EXPORTED TOBACCO REPORT

This provision will address a number of problems that have been brought to the attention of the Committee. Specifically, Title VI seeks to address problems related to the determination of the national quota for the two major kinds of tobaccos; issues that have arisen regarding the administration of various export credit guarantee programs of the Department of Agriculture; the ability of the flue-cured tobacco producer association to engage in direct sales of farmer stocks of tobacco; and the preservation and enhancement of the competitiveness of U.S. grown tobacco.

Issues concerning the determination of the national quota

Prior to the enactment of the Tobacco Program Improvements Act of 1986, the national tobacco quota (the amount of tobacco that may be produced in the United States) for the two major kinds of tobacco, flue-cured and burley, was established solely by the Secretary of Agriculture. The Secretary's determination of the national quota for these kinds of tobacco was based on a projection of the production needed to meet domestic and export demand, and the amount of tobacco required to provide for a reasonable amount of carryover stocks.

After the enactment of the 1986 Act, cigarette manufacturers were given increased input into the quota determination. Under the 1986 Act, the manufacturers are to submit, confidentially, their projected domestic tobacco needs or purchases in a given year. These projections, known as the manufacturers' domestic purchase intentions, become part of a quota formula, and are combined with an export number, a carryover stocks number, and is then increased or decreased based on Secretarial discretion. A limitation

on overall quota reductions that may be allowed in any given year is also included in the law.

A reading of the 1986 Act, indicates that the tobacco exports calculation would be arrived at by the Department of Agriculture based on data collected by the Bureau of Census from export declarations.

However, the Department of Agriculture, rather than using the Census Bureau data has, in the past, chosen to calculate the tobacco exports number based on data submitted by private individuals, some of whom are also involved in setting the domestic purchases figure. These individuals reported the aggregate amount of tobacco purchased and exported in a given year. This aggregate number of floor purchased and exported tobacco was subtracted from the Census Bureau export number to arrive at an adjusted export number. This number was then used in calculating the quota.

Questions about the procedure used to calculate tobacco exports led to a hearing by the Subcommittee on Tobacco and Peanuts. The Department of Agriculture was questioned about its actions at the hearing. Members expressed concern that the export figures for both major kinds of tobaccos were significantly reduced under this practice. Due to the fact that the export number played such a significant role in the determination of the national quota, quotas for these tobaccos were necessarily reduced as a result of the Department's actions.

During the Subcommittee's review of the Department's actions, it became apparent that exports of what is known as "blended" tobacco presented problems in determining the export number. Blended tobaccos are tobaccos that contain both United States grown and foreign grown tobaccos, and may be ready to be made into cigarettes with very little additional preparation.

The Department asserted at the hearing that it had to rely on the export figures submitted by the industry and has no independent means of checking the amount of United States grown tobacco contained in either blended tobacco or other exports. Thus, it is possible that foreign grown tobacco could now be included in the numbers used to lower the export figure. The Department noted further that the tobacco stocks and standards report might be useful in ascertaining whether the numbers submitted by the industry are accurate. However, the Department also noted that this report is provided by the industry and subject to little or no verification.

Because of the importance of the determination of the producers' national quota, the bill provides an accurate way to ascertain the export number by requiring reports of tobacco exporters. This provision will not disrupt trade, but rather will limit industry input in an area that could clearly be detrimental to the welfare of United States tobacco growers.

These new reports are needed because existing reports cannot be modified to address this problem. This provision will address the issues raised by the Department and grower groups alike, and will provide the Department with the ability to verify and review the export situation as it relates to tobacco.

Issues concerning export credit guarantee programs administration

The effect of the blending of domestic and foreign tobaccos on the operation and administration of the export credit guarantee programs was also reviewed by the Subcommittee on Tobacco and Peanuts.

Correspondence with the Foreign Agricultural Service indicates that one particular foreign customer believes that he received a blended product after paying a price premium for United States grown tobacco. The tobacco in question was purchased with GSM-102 credits. Monies available under this program are only to be available for eligible countries that purchase U.S. agricultural products.

Without this provision of the bill, it will be virtually impossible to enforce the restrictions on the export credit programs. The possibility that United States funds are currently being used to support the disposal of foreign agricultural commodities, at least in the case of tobacco, is very real. If foreign governments wish to support their agricultural commodities and enhance their competitiveness in the world market, it should not be done at the expense of the United States Government.

The Department should take the necessary steps to share information about the requirements of the export credit guarantee programs with individuals in the industry to avoid these problems.

Enhancement of the reputation of U.S. leaf tobacco

Reports that the quality of U.S. leaf are declining may be due to the increasing amount of blending of United States grown tobaccos with foreign tobaccos, and the subsequent representation of this tobacco as United States grown tobacco. Generally, foreign grown tobacco is of a lesser quality, either as it relates to overall quality or chemical content, and a blending of foreign tobacco with U.S. tobacco produces an inferior product.

Title VI will allow foreign customers to ascertain that the tobacco they are purchasing is in fact U.S. tobacco. In addition, the reputation of U.S. growers will be preserved and enhanced through the ability of purchasers to accurately identify the U.S. grown tobacco.

Verification of direct sales of tobacco by producer associations

The bill states that the Department of Agriculture is to use the reports generated under this provision to verify tobacco stock reports. This verification is needed to determine the extent to which tobacco producer associations are engaging in direct sales of tobacco to foreign customers as authorized by law.

INTERNATIONAL AGREEMENT TO REDUCE GRAIN PRODUCTION

While it is recognized there are excess supplies of world grain, testimony before Congress indicates that individual countries are hesitant to unilaterally reduce grain production because of the inherent adverse effect such action would have on each country's farmers. In an effort to improve the world surplus situation, the Committee adopted a provision that requires the Secretary of Agriculture to initiate discussions with other major grain producing countries aimed at multilateral agreements to reduce the glut of

grain that overhangs the world market. The Secretary is required to report to Congress on the progress of these talks not later than March 1, 1988.

SELF-HELP MEASURES TO PROMOTE CONSERVATION AND STUDY OF BIOLOGICAL DIVERSITY

Title VI adds the promoting of conservation and study of biological diversity as a self-help measure under Public Law 480. This permits Public Law 480 to be used more widely for biological diversity conservation projects. Projects could include (1) research on threatened or critical ecosystems and species, especially in tropical developing countries; (2) establishment of national conservation data centers to determine conservation priorities and to review environmental impacts of development projects; (3) development of national conservation strategies; (4) identification of centers of origin of import crop plants; (5) acquisition of biologically important lands to establish parks, agricultural reserves, or other types of conservation units; (6) in-country training of foreign resources management and support for institutions that do such training; (7) public awareness campaigns involving local and international nongovernmental organizations to promote the conservation of biological diversity; and (8) restoration of degraded ecosystems.

MINIMUM LEVEL OF FOOD ASSISTANCE

Food assistance has historically comprised one-third of U.S. foreign aid assistance. In recent years, however, foreign assistance in the form of cash transfers has increased greatly. Thus, title VI includes a provision that the United States should target one-third of all nonmilitary foreign assistance to be in the form of food aid. This provision will place renewed emphasis on the use of food in our foreign assistance programs as a resource to promote economic development.

MEAT FOOD PRODUCT LABELING

Under current law, all products entering the United States are labeled by country of origin. Unfortunately, the labeling requirement does not address the issue of imported meat that is processed or blended once it is in the United States. According to the Department of Agriculture, imported beef makes up approximately 23 percent of this country's entire beef processing supply. Slightly more than 50 percent of this amount is used in sausages, hot dogs, chili, stews, soups, and frozen dinners. Information on such products is almost nonexistent.

Title VI, therefore, includes a provision that requires labeling on any meat food product or on the package containing the product indicating the country of origin. The amendment is aimed at providing U.S. consumers a choice in purchasing quality meat products of domestic or foreign origin.

MARKETING ORDERS

Marketing agreement and order programs are authorized by the Agricultural Marketing Act, as reenacted and amended by the Agricultural Adjustment Act of 1937. Marketing agreements and

orders help to stabilize prices and benefit domestic and foreign producers and consumers by establishing and maintaining orderly marketing conditions.

There are 46 marketing agreement and order programs, each representing a different commodity and a different set of circumstances involving quantity and quality standards. Domestic quality requirements established by Federal marketing orders apply to imports of certain fresh fruits, vegetables, and specialty crops.

Quality standards are either for the entire year or for several months. Historically, if the domestic commodity is available all year, the quality standards are effective for the year. However, when the commodity is seasonal, the marketing order quality standards are effective for the period of time the domestic commodity is available in the market. A Federal marketing order generally contains provisions for grade, size, pack and container, shipping holidays, and research and development.

It should be noted that in recent years the volume of certain imported commodities has increased significantly just prior to the effective date of a marketing order on similar domestic products. Such foreign imports are stored and later released at the same time as the marketing order goes into effect. The ability of these imported commodities to circumvent the quality standards is threatening the integrity of the marketing order program.

The bill would permit the Secretary of Agriculture to advance the effective date of a marketing order when the Secretary determines that imported commodities are not meeting the quality standards for the marketing agreement order programs.

A second issue addressed by the amendment relates to the fact, that under current law, the Agricultural Adjustment Act of 1937 does not generally allow for paid advertising to be a part of a commodity marketing order. However, over the years, a number of commodities have obtained exemptions from this prohibition through legislative amendments.

Title VI would establish a similar and necessary exemption for Florida grown strawberries.

IMPORT INVENTORY

Currently, a number of Federal agencies compile various data on imports of agricultural commodities coming into the United States. It is difficult to obtain an inventory of all raw and processed agricultural imports and assess the effects of these imports on the domestic agricultural sector because this data is generated through such various agencies as the Department of Commerce, the International Trade Commission, and the Office of the U.S. Trade Representative. So that those formulating agricultural trade policy can obtain complete information on imported raw and processed agricultural commodities, the title VI will require the Secretary of Agriculture to compile statistics on the total value and quantity of imported raw and processed agricultural products. Further the Secretary will be required to compile information on the total amount of production and consumption of domestically produced raw and processed agricultural products and correlate this information with that gathered for the import inventory. The Secretary would be re-

quired to issue a report on the correlation of this statistical data on a quarterly basis.

HONEY STUDY

In 1976, the U.S. International Trade Commission studied honey imports and reported to the President that honey is being imported into the United States in such increased quantities as to be substantial cause of threat of serious injury to the domestic industry.

Unfortunately, no action was taken on the report, and honey imports, principally from China, have increased dramatically.

The U.S. honey industry, working with Congress during the formulation of the 1985 farm bill, agreed to dramatically change the honey program to a marketing loan program and lower the honey loan rate to enable domestic producers to better compete with foreign competition. However, honey continues to be imported below the cost of production, and significant harm is accruing to the domestic honey industry. Presently, the United States has only a 1 cent per pound import tariff rate. In comparison, China has an 80 percent ad valorem tariff rate on imported honey.

Since the Trade Commission's report in 1976, honey imports have doubled and conditions for the U.S. honey industry have steadily worsened. A new study is therefore appropriate at this time.

ROSE STUDY

The need for a prompt study to examine the effect of imported roses on the domestic rose industry is acute. Imported roses now capture almost 30 percent of the total U.S. market for roses. This growth in imports is devastating to the domestic rose industry. Numerous U.S. growers are going out of business.

The unfair trade practices of several rose-exporting countries have been well documented and upheld by the International Trade Administration. Since 1977, domestic rose growers have repeatedly, but unsuccessfully, attempted to obtain relief through the International Trade Commission; the latest denial occurring on December 15, 1986.

Title VI requires that a study be conducted by the Secretary of Agriculture in conjunction with the U.S. Trade Representative on the effects of rose imports on the domestic rose industry. The bill provides that this study must be completed not later than 120 days after the date of enactment of the bill. The study will examine the extent, estimated value, and nature of subsidies provided to foreign rose growers. In addition, the Secretary of Agriculture must use all available remedies, programs, and policies within the jurisdiction of the Department to assist the domestic rose industry if the study determines that the industry is being adversely affected by the unfair trade practices of foreign countries.

EFFECT OF SECTION 22 CHANGES ON THE DAIRY PRICE SUPPORT PROGRAM

It is common understanding that all trade practices used by countries to enhance exports of their agricultural commodities and provide protections to their farmers will be open for discussion

during the Uruguay Round of negotiations on the General Agreements on Tariffs and Trade.

The U.S. Trade Representative has advised the Committee that included in the items for discussion would be section 22 of the Agricultural Adjustment Act, which among other things restricts the importation of cheese and butter. Dairy economists around the country insist that the elimination or a substantial reduction in section 22 protection will have a devastating effect on U.S. dairy farmers. Yet, no one has done a complete analysis of the potential effect on this change.

Title VI, thus, includes a provision to direct the Secretary of Agriculture to conduct a study to determine how and to what extent the reduction or elimination of quotas on the importation of certain dairy products imposed under section 22 might adversely affect the administration of the Federal dairy price support program and cause injury to the U.S. dairy industry.

INSPECTION OF IMPORTED COMMODITIES

Food imported into the United States is subject to the same drug and pesticide laws and regulations that apply to domestically produced food. Under the Federal Insecticide, Fungicide, and Rodenticide Act, the Environmental Protection Agency is responsible for the Federal registration and use of pesticides. Under the Federal Food, Drug, and Cosmetic Act, the Environmental Protection Agency is responsible for setting standards on the amount of pesticide residues that can safely be allowed on foods, and the Food and Drug Administration is responsible for enforcing these pesticide restrictions on most food products except meat, poultry, and eggs. Under the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, the Department of Agriculture is responsible for enforcing drug and pesticide residue restrictions on meat, poultry, and eggs.

Antibiotics and pesticides are used world-wide to protect livestock from infectious diseases, and food crops from insects, destructive diseases, and other pests. In the United States, residue limits are set for these chemicals so that, when properly used, they will not cause unreasonably adverse effects to consumers or the environment. Serious problems have occurred, however, when such products are misused.

The United States relies to a great extent on random sampling to ensure that food imports do not exceed U.S. residue restrictions. Recent Government reports, however, have identified serious deficiencies in the Federal import inspection and enforcement system.

Furthermore, a recent investigation by the General Accounting Office identified serious deficiencies in FDA inspection of raw agricultural imports. The General Accounting Office found that Food and Drug Administration routinely inspects less than one percent of all imported fruit and vegetable shipments. Of the inspected shipments, more than six percent contained illegal pesticide residues. Dangerously high level of pesticides were found on commodities from tomatoes to bananas. This situation is of particular concern because food imports have been steadily increasing. In fact,

for the first time in 15 years, the United States incurred monthly agricultural trade deficits in 1986.

A February 1987 Office of Inspector General audit found that the Department of Agriculture does not adequately inspect foreign meat and poultry facilities, nor does it operate an effective import sampling system. The Inspector General evaluated two countries and found that drugs not approved for use in the United States were routinely used in these countries. He also found that herds suspected of having residue contamination were not adequately monitored to ensure that such animals would not enter export markets. In addition, he found that certain approved import inspection facilities had inadequate equipment and, therefore, could not effectively control and test imported meat products.

The General Accounting Office found that FDA inspection and sampling decisions are not coordinated on a national basis, but rather, are left to the discretion of onsite FDA inspectors. It also found that the limited number of shipments that were sampled did not represent the broad range of commodities imported into this country. Between 1983 and 1985, for example, cucumbers were imported from 27 countries. However, shipments from only 9 of those countries were sampled during this entire period. The violation rate for cucumbers, during the period 1983-1985, ran significantly higher than the average for other foods. In another example, while over 17 billion pounds of bananas were imported during fiscal years 1983-1985, only 160 samples were taken.

Although there are many thousands of pesticide formulations on the market today, most are based on some 600 chemical compounds that are the active ingredients in these formulations. Yet, the FDA multi-residue tests can only identify about 120 of the 350 to 600 pesticides used on food crops worldwide.

The General Accounting Office also identified huge gaps in FDA enforcement system. Under routine procedures, the Food and Drug Administration does not detain sampled produce at the border until the test is analyzed. If the test indicates that the food contains illegal residues, the importer is responsible for recalling that product. Such recalls, however, are rarely successful and violators are rarely penalized. GAO found that between 1979 and 1985, the Food and Drug Administration levied fines in only 15 percent of the cases in which importers repeatedly violated U.S. pesticide standards. And one year later, less than 25 percent of those fines had been collected by the Food and Drug Administration.

Recognizing that such deficiencies expose U.S. consumers to health risks and put the American farmer at an unfair disadvantage the bill provides for immediate action to improve our import inspection system. Title VI seeks to build on the recommendations cited in the GAO and OIG reports. It requires Department of Agriculture and the Food and Drug Administration to submit reports within 90 days for both legislative and administrative changes to improve their inspection procedures and toughen enforcement penalties for violators. It also requires the Food and Drug Administration to submit to Congress detailed annual reports on its import inspections; legislative recommendations on how to improve its enforcement procedures when violative residues are discovered; and research into improved pesticide testing procedures. This direction

will help fill gaps in our import inspection system and will improve Congress' oversight ability to ensure that imported foods comply with U.S. standards and that violators are penalized.

MATERIAL INTERFERENCE CAUSED BY IMPORTED TOBACCO

Title VI includes a provision to require that producer costs under the no net cost tobacco program be considered in material interference investigations under section 22 of the Agricultural Adjustment Act of 1933.

This proposal is intended to clarify the factors to be used in determining whether import restrictions should be placed on tobacco in a section 22 case and is in response to the concern that arose when the International Trade Commission conducted an investigation in December 1984 into the effect of imported tobacco on the domestic tobacco program.

A factor used in past ITC investigations to determine material interference has been the cost of the program to the Government. Since this factor is not applicable to the tobacco program, which operates on a no net cost basis, the bill will require the International Trade Commission to consider the effect of assessments on tobacco producers when determining whether tobacco imports have materially interfered with the tobacco price support program.

TOBACCO IMPORT LIMITATIONS

Currently, United States tobacco growers face a myriad of tariff and nontariff barriers, as well as other unfair policies and practices, that have been designed by foreign governments to limit United States growers' access to those foreign markets. On the other hand, most foreign countries, with the largest import shares of the U.S. market limit or refuse to allow United States tobacco exports to those countries. Tobacco imports from such countries continue to escalate and displace the U.S. tobacco producers' position in their own market. U.S. tobacco producers, through the requirements of the no net cost tobacco price support program are then forced to shoulder the economic responsibility for this displacement.

Unfair trade barriers limiting U.S. growers access worldwide

Some of the nontariff or unfair trade barriers, policies, and practices that apply to exports of U.S. tobacco in foreign countries include: various quantitative restrictions, such as import quotas, mixing or domestic content requirements, import licensing regulations, foreign exchange permits, labelling requirements, and other technical specifications and standards.

Several countries have mixed or domestic content requirements require that certain percentages of that country's tobacco must be used in making cigarettes. Countries using this particular practice include Australia, New Zealand, and Spain. Many countries limit market access to U.S. tobacco growers by requiring import permits and foreign exchange permits. Prominent among these countries are: Korea, the Philippines, Indonesia, Argentina, Brazil, Mexico, Turkey, and Spain. Meanwhile, these countries continue to export tobacco to the United States.

Malawi, through the use of general nontariff restrictions, and South Africa, using import permits and trade agreements with Malawi and Zimbabwe, have both managed to exclude U.S. tobacco imports. European Community countries, through the Common Agricultural Policy, limit market access for U.S. tobacco by giving preferential treatment to member country produced tobacco. In addition, government owned monopolies in Portugal, Spain, and Turkey also limit the amount of imported U.S. tobacco.

In contrast, the United States has no effective barriers with respect to tobacco imports. Existing U.S. tariff barriers are of limited effect for two reasons: First, these tariffs have been on a declining scale and presently do not compensate for lower wages in foreign countries. Second, a practice known as "drawback" limits the effectiveness of any tariffs which might be imposed with respect to imported tobacco. Drawback permits a cancellation of the entire duty imposed when similar articles in the same amount are exported from the United States. The Treasury Department collects about 2 percent of the tariff that would have been collected but for the practice of drawbacks, for administrative expenses. Thus tariff protection afforded U.S. tobacco is nonexistent. Imported tobacco enters this country 98 percent duty free. In addition, there are no other protections offered to United States tobacco growers.

Need for equal access in the world market for U.S. tobacco growers

Despite the wealth of information available to the U.S. Trade Representative on the barriers that exist on the trade of unprocessed tobacco (See FAS Circular on Tobacco Trade Barriers, Supplement 1-84), and the ability accorded the Trade Representative to self-initiate section 301 investigations, to date there has been no action taken on the various barriers that exist in the trade of unprocessed tobacco.

In contrast, recent efforts have been undertaken by the U.S. Trade Representative to reduce import barriers as they apply to U.S. tobacco products, particularly in Japan. However, it is unlikely that the reduction of barriers in cigarette trade or tobacco product trade will directly assist U.S. tobacco farmers in selling their product in domestic or foreign markets.

According to statistics provided by the Agricultural Marketing Service of the Department of Agriculture, imports of Japanese produced tobacco to the United States have dramatically increased since the conclusion of a recent agreement with Japan under section 301 of the Trade Act of 1974 with respect to tobacco products. In addition, although it is still too early to assess the effect of opening up the Japanese market to U.S. cigarette manufacturers, it is feared that if the Japanese, our largest tobacco customer, lose some portion of their domestic market, they will purchase less United States leaf. Hopefully, any loss in sales to Japan will be made up by increased purchases by U.S. cigarette manufacturers of U.S. grown tobacco. However, manufacturers' purchase intentions have not increased this year.

Concern has also been expressed about remarks made by the U.S. Trade Representative with respect to the section 301 investigation discussed above. Specifically, the Trade Representative has stated that it was the desire of the Administration to reduce bar-

riers that exist on the trade of tobacco products in preference to reducing barriers that exist on the trade of tobacco in its raw, unprocessed form. Farmers, like manufacturers, should have equal access on the world market. As our farm policy becomes more market oriented, the Trade Representative must make sure that agricultural commodities have access to world markets.

The bill would provide a new remedy for unfair trade practices that relate to the trade of unprocessed tobacco. This remedy is needed because producer associations have rarely been able to use the section 301 procedure, due to its expense. Tobacco producer associations have sought relief twice under section 22 of the Agricultural Act of 1933 in the last 10 years. These actions have tapped considerable producer resources, and the producers are not presently in a financial condition to pursue further actions. On the other hand, the economic resources possessed by cigarette manufacturers is generally substantial, and if they should desire further section 301 actions, they are capable of procuring them.

Further, the record of success with respect to tariff protection enjoyed in the United States is much higher for cigarette manufacturers than for U.S. tobacco growers. Imported cigarettes continue to face a very high tariff rate, yet tariff protections for United States tobacco growers is nonexistent. U.S. cigarette manufacturers are not encountering difficulties in discussing their trade concerns with the Federal Government, while tobacco growers are unable to receive similar consideration. The bill thus speaks for those who are less able to bargain for themselves.

Additional support for the provision is provided by Article XI of the General Agreement on Tariffs and Trade, which provides that certain provisions relating to the elimination of quantitative restrictions will not extend to import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which cooperate to restrict the quantities of the like domestic product permitted to be marketed or produced.

Tobacco production and marketing is strictly regulated by the Federal Government, and import restrictions with respect to imported tobacco thus would be permitted under the broad exemption provided in Article XI.

The fairest basis for calculating any import quota on tobacco is to allow the foreign tobacco in question the same market volume access that is allowed to U.S. producers. In other words, if a particular country refuses to allow entry of U.S. tobacco, or to allow a very low level because of unfair trade practices or policies, then the amount of imported tobacco that would be permitted entry into the United States from that country would be the same level.

The imposition of this quantitative restriction would provide the country that restricts U.S. exports of tobacco some impetus to open its market to U.S. producers. An additional benefit of this provision is the support it provides the U.S. Trade Representative in any negotiations undertaken to reduce unfair trade barriers.

AMENDMENTS TO MEAT IMPORT ACT OF 1979

Lamb and mutton imports have been steadily increasing, from ten percent of total supply in 1976 to a projected sixteen percent in 1987. Total lamb imports to the United States for 1986 were 36 million pounds, the highest in the decade, and double the 1984 level, reaching 10.9 percent of U.S. lamb production.

Currently, lamb is not included in the Meat Import Act. A provision in title VI would ensure that lamb is included under the umbrella afforded other meats such as beef, veal, goat, and mutton by adding lamb to the definition of meats included under the Act. The proposal also will provide that the aggregate quantity of lamb articles that could be entered in any calendar year may not exceed 24,360,000 pounds, depending upon domestic per capita production figures for each following calendar year. Furthermore, the proposal will require the Secretary of Agriculture to conduct a study to determine whether a disproportionate quantity of meat of lambs is entered quarterly into the United States.

QUANTITATIVE RESTRICTIONS ON IMPORTED MILK PROTEIN PRODUCTS

This provision of Title VI reflects the fact that there are alternatives to legislating specific quotas on agricultural products in order to maintain the effective operation of U.S. agricultural programs. The Committee is aware of the remedy that is available to agricultural producers and their representative organizations under section 22 of the Agricultural Adjustment Act which has a specific waiver under the General Agreement on Tariffs and Trade.

However, the efforts that U.S. dairy producers and their representatives have made in regard to this remedy should be noted, as well as the fact that the International Trade Commission has failed to provide relief where evidence presented clearly dictates a finding in favor of the domestic agricultural producers.

Where imports of an agricultural product, such as casein, are disrupting the effective operation of a domestic agricultural program, such as the dairy price support program, and when other available remedies have been exhausted, the Committee must act responsibly and exercise its jurisdiction and special expertise in agricultural matters. Otherwise, Committee efforts to regulate production, provide producers with a level of income support and consumers with a steady supply, at reasonable prices, of the agricultural product in question may be thwarted.

Strong support for this provision of the bill exists in the information currently available to the Committee, particularly a study by the Department of Agriculture that concluded that casein imports are significantly affecting the operation and costs of the dairy price support program. The Department's own study concluded that the Government costs of the Dairy Price Support Program would have been some \$300 million lower in 1980 if no casein had been imported into the United States. In a more recent update of this casein import study, the Department also estimated that up to the same level of savings (\$300 million) in Government costs would have been achieved in 1985 if casein imports had been limited to 50 percent of the average annual quantity of milk protein products during the past five years.

At a time when farm program costs are under increased scrutiny due to budget constraints, this limitation on casein imports makes sense from the additional standpoint of reducing farm program costs.

Casein's direct interference with the operation of the Dairy Program

Casein, which is not produced commercially in the United States at the present time, interferes with the operation of the dairy price support program in the following manner. Casein imports in the post-World War II years were negligible; however, in 1985 they reached the level of 231.4 million pounds. This 231.4 million pounds of milk protein products represents the equivalent of 7.5 billion pounds of milk, on a nonfat milk solids basis. With Government purchases of dairy products under the domestic dairy program for the past three years averaging 12.9 billion pounds of milk annually, the effect of casein and other milk protein product imports, and the obvious direct displacement of U.S. milk occurring, cannot be ignored or discounted.

The necessity of maintaining the effective operation of the Dairy Price Support Program: The need to consider changes in the program and the effects of these changes on producers

Major changes in the dairy program have been made to reduce the oversupply of dairy products in the United States. These changes have required significant sacrifice on the part of U.S. dairy producers. Since December 1983, the effective price support level has been lowered more than \$1.50 per hundredweight, and further reductions of over \$2.00 per hundredweight are also authorized by the Food Security Act of 1985. Further, since April of 1983, dairy farmers have contributed approximately \$1.5 billion in the form of assessments on all milk marketed to offset the costs of the dairy price support program and the milk diversion program of 1984 and 1985.

In addition, this Nation's dairy farmers will contribute \$700 million in assessments over the next 18 months to offset the costs of the dairy termination (or whole herd buy-out) program. Some 14,000 of this Nation's dairy farmers will voluntarily leave dairying for a minimum of five years as a result of this program. Finally, an additional \$80 million in assessments will be collected from U.S. dairy farmers in the next six months in order to meet the mandate of the Gramm-Rudman budget legislation.

Principles of fairness and equity dictate that if U.S. dairy producers work with this Committee to limit dairy production and Government costs at the same time they face reduced income under the program, the Committee must take every step it can to make the program work.

The dairy price support program does not operate in a vacuum, and steps must be taken to limit interference with this program through policies that encourage this interference.

The various combinations of subsidies to exporters of milk protein products, existing in foreign countries, as well as the systems of agricultural program support that preclude the importation of U.S. dairy products, leave U.S. dairy farmers and the domestic

dairy program helplessly uncompetitive and in an untenable position.

For example, in European Economic Community countries casein production is encouraged through the use of subsidies for processing skim milk into casein and caseinates, at the same time the European Community assures its members that no dairy products from other countries will enter its market at a competitive price.

The provision of Title VI adopted by the Committee requires the President to limit the quantity of imported milk protein products to an amount equal to 50 percent of the average amount imported for the period January 1, 1981 through December 1, 1985.

IMPORTS CONTAINING AGRICULTURAL PRODUCTS SUBJECT TO QUANTITATIVE LIMITATIONS

Quotas on basic agricultural commodities are imposed under section 22 or under the Tariff Schedules of the United States. An underlying objective of these quotas is to shield the production of basic agricultural commodities from predatory trade practices.

There has been considerable circumvention of the quota system. For example, in data compiled by the American Dairy Products Institute, in 1986 approximately 20,000,000 pounds of dry whole milk were imported in the form of sweetened chocolate blocks, while the established annual quota for dry whole milk is 7,000 pounds. This practice has resulted in severe financial hardship on domestic manufacturers of dry whole milk inasmuch as 80 percent of its annual sales are to the confectionery industry. Also, statistics compiled by the Department of Commerce show that imports of gelatin products, which contain 90 percent sugar, increased by over 1250 percent during the period between 1981 and 1986. These are not isolated cases.

Title VI contains a provision to establish a quota on a downstream product (set at the level of historical trade by the President) if this article contains over 25 percent of any one agricultural product subject to a quota under section 22 or a headnote to the Tariff Schedules of the United States (such as, dairy products, peanuts, cotton, and sugar). The bill addresses circumvention of the present quota structure, and the intent is that imported commodities that are subject to a quota do not come into the United States under another guise. In such an event, a quota would be imposed and the downstream article would be imported at a level that is representative of the volume shipped before the imposition of the quota.

The President would be provided discretion to waive or modify the quotas established when he determines that it is in the national economic interest.

AGRICULTURAL EXPORT ENHANCEMENT

In order to obtain a larger share of the world market for U.S. agricultural exports, the bill includes a provision calling on Congress, the President, the Departments of Defense, Agriculture, State and Commerce and the U.S. Trade Representative to sign a Memorandum of Understanding stating that the first priority of U.S. trade policy is the enhancement of agricultural exports.

REPRESENTATION AT AGRICULTURAL TRADE NEGOTIATIONS

For the first time ever, agricultural trade will be a focal point in the current discussion on the General Agreement on Tariffs and Trade. At no other time in history has the United State had so much to gain and so much to lose with regard to agricultural trade.

Due to the vital importance of agricultural trade to the economy of the United States, it is imperative that our negotiators receive the proper advice on agricultural issues from Members of Congress who are experienced and knowledgeable in the area of agriculture.

Title VI would allow the Speaker of the House to select members of the House Agriculture Committee and the President pro tempore of the Senate to select members of the Senate Committee on Agriculture, Nutrition, and Forestry to advise our negotiators on agricultural trade matters at the GATT talks in Geneva, Switzerland. These advisers would be in addition to the advisers appointed from the House Ways and Means Committee and the Senate's Finance Committee.

CANADIAN AGRICULTURE SUBSIDIES

Title VI will express the sense of Congress that the U.S. Trade Representative should investigate whether a ruling by the Canadian Import Tribunal to impose a tariff on United States exports of corn to Canada is inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade. The resolution further provides that if the investigation is affirmative, the Trade Representative should take expedited actions as appropriate under section 301 of the Trade Act of 1974.

In spite of the fact that United States exports of corn to Canada have declined to just 4 percent in the 1985-1986 marketing year and, at the same time, Canadian corn production has increased by approximately 50 percent since the 1980-1981 marketing year, the Canadian Import Tribunal has decided to impose an unfair restriction on U.S. shipments in the form of a tariff of 84.9 cents per bushel. The provision expresses the sense of Congress that the Canadian Import Tribunal acted arbitrarily within the meaning of the General Agreement on Tariffs and Trade, without demonstrating harm to its domestic corn production, and has unfairly discriminated against the U.S. corn industry at a time U.S. corn producers are attempting to adjust to more competitive market conditions. Moreover, the provision sends a signal that the United States will insist on fair and equal treatment.

EUROPEAN COMMUNITY FATS AND OILS TAX

Title VI will express the disapproval of Congress to a proposal of the European Community to impose a new tax on the consumption of vegetable and marine fats and oils. Further, the bill calls on the President, if the proposal is approved, to take appropriate countermeasures.

While the proposal under consideration would be levied on European consumption of most fats and oils, it would exclude European-produced products and would have the affect of excluding U.S. soybeans and soy oil from the European market. Currently, that market accounts for nearly \$2.6 billion in shipments and the duty

under consideration would, in effect, impose a 90 percent duty on U.S. commodities and products. If enacted, the revenues from the tax would price U.S. exporters and farmers out of this market in order to fund the European Community's agricultural program, thereby shifting the cost of those programs from European taxpayers to U.S. farmers. Unless the Congress sends a strong and unequivocal signal to the Europeans, one of our most lucrative markets will be closed, thus further exacerbating stress in U.S. agriculture and further weakening this Nation's position in world trade.

FOREIGN IMPORT RESTRICTIONS ON U.S. CITRUS AND BEEF PRODUCTS

Certain trade partners of the United States have engaged in unfair trade practices, including import quotas, that prohibit or greatly reduce U.S. exports of citrus and beef products to such countries. To indicate its concern over such unfair treatment, Title VI includes a sense of Congress resolution that if a country is engaging, in violation of the General Agreement on Tariffs and Trade, in such practices, the President should take steps, including the imposition of import fees and duties, that would exclude similar or other products from entering the United States until such practices are eliminated.

U.S. GOODS AND SERVICES

In the proposed fiscal year 1988 foreign aid budget, approximately \$2.3 billion has been requested for the cash transfer program. This type of assistance has grown dramatically in recent years, while commodity donations and project-type aid has declined. In many instances, cash aid does not make good sense because it constitutes an immediate drain on the U.S. Treasury and adds to the budget with no assurance that any of the money will be spent on purchases from U.S. sources. Budgetary effect can actually exceed the nominal amount of cash assistance grant. For instance, if a recipient country uses the U.S. cash transfer program to purchase wheat or soybeans from a foreign trade competitor, additional U.S. wheat or soybeans are not sold commercially and will be acquired under loan forfeiture by the Commodity Credit Corporation. The Commodity Credit Corporation then is forced to pay carrying costs over a period of time and has little or no opportunity to commercially dispose of the commodity to recover its investment.

Title VI includes language that directs that in-kind donations to be used for foreign assistance programs unless the President determines that the needs of the particular country and the best interests of the United States would be better met by providing the assistance in the form of a cash transfer. Further, if such determination is made, the provision requires that the recipient country agree to use the cash assistance, insofar as practicable, to purchase from the United States, rather than other foreign suppliers, commodities, products, goods, or services (to the extent that all or a part of the transfer is intended for the acquisition of such items). The bill specifies that the identified item must be readily available from a United States supplier, and must be of a like kind at reasonably comparable prices. Additionally, the General Accounting

Office will be given the authority to ensure compliance with this provision.

SECTION-BY-SECTION ANALYSIS OF THE COMMITTEE AMENDMENT TO TITLE VI—AGRICULTURAL TRADE

SUBTITLE A—IMPROVEMENT OF AGRICULTURAL TRADE POLICY AND MARKET DEVELOPMENT ACTIVITIES

Chapter 1—Department of Agriculture Operations

Section 601—Purpose of chapter

Section 601 states that it is the purpose of chapter 1 to increase the effectiveness of the Department of Agriculture in—

- (1) agricultural trade policy formulation and implementation; and
 - (2) assisting U.S. agricultural producers to participate in international agricultural trade,
- by strengthening the operations of the Department of Agriculture and related entities.

Section 602—Reorganization study

Section 602 will require the Secretary of Agriculture to study the Department of Agriculture reorganization proposal recommended by the National Commission on Agricultural Trade and Export Policy and other proposals for improvement of current management of international and trade activities of the Department of Agriculture.

(Note: The National Commission on Agricultural Trade and Export Policy, established under Public Law 98-412, on July 1, 1986, submitted a report to the President and Congress (as required under Public Law 98-412) entitled "New Realities: Toward a Program of Effective Competition." That report contains the reorganization proposal cited in the bill.)

To assist the Secretary in the study, the Secretary would appoint a private sector advisory committee of not less than four members. The advisory committee would be appointed from among individuals representing farm and commodity organizations, market development cooperator organizations, and agribusiness.

Section 602 will require the Secretary to report the findings of the study to Congress, together with the views and recommendations of the private sector advisory committee, not later than April 30, 1988.

Section 603—Authorization of additional appropriations

Section 603 is an authorization for appropriations. It will authorize appropriations for the Foreign Agricultural Service of the Department of Agriculture (in addition to any sums otherwise authorized to be appropriated by any other provision of law) \$22,500,000 for fiscal year 1987, \$27,500,000 for fiscal year 1988, \$32,500,000 for fiscal year 1989, and \$32,500,000 for fiscal year 1990.

Of the funds authorized to be appropriated in each fiscal year—

- (1) \$4,500,000 would be for expansion of the agricultural attaché service;

(2) \$1,000,000 would be for the expansion of international trade policy activities of the Foreign Agricultural Service;

(3) \$2,000,000 would be for the enhancement of the Foreign Agricultural Service worldwide market information system; and

(4) \$15,000,000 in fiscal year 1987, \$20,000,000 in fiscal year 1988, \$25,000,000 in fiscal year 1989, and \$25,000,000 in fiscal year 1990 would be for expanded foreign market development.

Section 604—Increased authorized personnel level

Section 604 will require that, to ensure that the agricultural export programs of the United States are carried out in an effective manner, the authorized number of personnel for the Foreign Agricultural Service be not less than 900 full-time employees during each of the 1987 through 1990 fiscal years.

Section 604 also will express the sense of Congress that the personnel ceiling described above will (1) permit the Foreign Agricultural Service to effectively carry out its current program and support activities, including programs established under the Agricultural Trade Development and Assistance Act (Public Law 480), section 416 of the Agricultural Act of 1949, and title XI of the Food Security Act of 1985; and (2) provide resources for other activities of the Foreign Agricultural Service authorized in the bill.

Section 605—Establishment of an office to monitor trade practices

Section 605 will require the Secretary of Agriculture to establish an office within the Department of Agriculture to—

(1) continuously monitor and study trade practices carried out by other countries to promote the export of agricultural commodities and products; and

(2) submit quarterly reports of its findings to the Secretary. The new office would operate under the direction of the Under Secretary of Agriculture for International Affairs and Commodity Programs.

Section 605 also will require the Secretary to submit the reports received from the new office to the Committee on Agriculture, Nutrition, and Forestry, Committee on Foreign Relations, and Committee on Finance of the Senate and the Committee on Agriculture, Committee on Foreign Affairs, and Committee on Ways and Means of the House. Each report would have to be submitted within fifteen days after the Secretary receives it, and would have to be accompanied by the Secretary's findings and recommendations with respect to the level of subsidies provided by other countries and the United States to promote the export of agricultural commodities and products.

(Note: Section 606, described below, will require the Secretary to submit information on unfair trade practice assistance along with the above-described reports.)

Section 606—Establishment of an office to provide assistance to victims of unfair trade practices

Section 606 will require the Secretary of Agriculture to establish an office within the Department of Agriculture (to be operated under the direction of the Under Secretary of Agriculture for Inter-

national Affairs and Commodity Programs) to take the following actions with respect to U.S. citizens and organizations damaged by unfair agricultural trade practices and policies:

(1) Assist such persons in preparing cases before the U.S. Trade Representative, the International Trade Commission, the U.S. Department of Commerce, the Court of International Trade, and any other similar agency.

(2) Provide (and update) information to such persons regarding the incidence and severity of such practices and policies.

(3) Inform such persons of any adverse effect on them caused by such practices and policies of which such persons are not aware.

(4) Report information relating to such unfair trade practices and the effects of such practices to the appropriate Federal agencies, together with a recommendation by the Secretary with regard to what actions, if any, should be initiated under the trade laws.

On receipt of the information and recommendation described in item (4), the receiving agencies will be required to consult with the Secretary with regard to what actions, if any, will be initiated, and the reasons for such actions or for not taking any action.

Section 606 also will require the Secretary to submit, with the trade practices monitoring reports that will be required under section 605, reports of assistance provided under section 606. (Note: See also the description of section 613 below. Section 613 will require the Secretary to prepare assessments of unfair trade barriers. Such reports could be used by the office established under section 606 in its work.)

Section 607—Long-term agricultural trade strategy reports

Section 607 will require the Secretary of Agriculture to prepare for each fiscal year a long-term agricultural trade strategy report establishing recommended policy goals for U.S. agricultural trade and exports, and recommended levels of spending on international activities of the Department of Agriculture, for one-year, five-year, and ten-year periods. The President would be required to submit each annual report along with the budget for the fiscal year involved.

Each report would include the following:

(1) Findings with respect to (a) trends in the comparative position of the United States and other countries in exports of agricultural commodities and products (organized by major commodity group and including a comparative analysis of the cost of production of such commodities and products), and (b) new developments in research conducted by other countries that may affect the competitiveness of U.S. agricultural commodities and products.

(2) Findings and recommendations with respect to the movement of U.S. agricultural commodities and products in non-market economies.

(3) As appropriate, the agricultural trade goals for each agricultural commodity and value-added product produced in the United States (expressed both in physical volume and monetary value).

(4) Recommendations as to Federal policy and programs, and as to levels of Federal spending on international programs and activities of the Department of Agriculture and on programs and activities of other agencies, to meet the agricultural trade goals.

(5) Recommended long-term strategies for growth in agricultural trade and exports—

(a) taking into account U.S. competitiveness, trade negotiations, and international monetary and exchange rate policies; and

(b) including specific recommendations with respect to export enhancement programs (including credit and export payment-in-kind programs), market development activities, and foreign agricultural and economic development assistance activities needed to implement such strategies.

The provisions of each long-term agricultural trade strategy report that relate to recommended spending levels for Department of Agriculture international activities for the upcoming fiscal year would be the President's annual budget submission to Congress for such programs for such fiscal year, and would be submitted in addition to the budget request for other Department of Agriculture programs for such fiscal year.

Under section 607, the President would be required, in each strategy report, to—

(1) include recommendations for changes in legislation governing Department of Agriculture international programs needed to meet the long-term goals established in the report; and

(2) identify any such recommendations that might modify the long-term policy in any previous report.

Section 608—Department of Agriculture contract authority for individuals abroad

Section 608 will authorize the Secretary of Agriculture to contract with individuals outside the United States for personal services to be performed outside the United States. Such individuals would not be regarded as employees of the U.S. Government under any law, including any law administered by the Office of Personnel Management.

Section 609—Cooperator organizations

Section 609, in subsection (a), will express the sense of Congress that the foreign market development cooperator program of the Foreign Agricultural Service, and the activities of individual foreign market cooperator organizations, have been among the most successful and cost-effective means to achieve the objective of expanded United States agricultural exports; and that Congress reaffirms its strong support of the program and of the cooperator organizations. Subsection (a) further states that the Administrator of the Foreign Agricultural Service and the private sector should work together to ensure that the program, and the activities of cooperator organizations, are expanded in the future.

Section 609, in subsection (b), will authorize the Secretary of Agriculture to make available, to cooperator organizations, agricultur-

al commodities owned by the Commodity Credit Corporation, for use by such cooperators in projects designed to expand markets for U.S. agricultural commodities and products. Commodities made available to cooperators under subsection (b) would be in addition to, and not in lieu of, funds appropriated for market development activities of the cooperator organizations.

Section 609, in subsection (c), will amend section 1124 of the Food Security Act of 1985, which established the targeted export assistance (TEA) program.

(Note: Under the targeted export assistance program, funds or agricultural commodities available to the Commodity Credit Corporation are used to counter or offset the adverse effect on U.S. agricultural exports of subsidies, import quotas, or other unfair trade practices of other countries. Under the program, priority is given to agricultural commodities and products (1) for which there has been a favorable decision in a section 301 case or (2) adversely affected by retaliatory actions related to such a favorable decision in a section 301 case. Section 301 of the Trade Act of 1974 authorizes the President to take action to enforce U.S. rights under trade agreements and to respond to certain unfair foreign practices.)

Under the amendment that will be made by subsection (c) of section 609, a new paragraph will be added to subsection (b) of section 1124, which currently describes the purposes for which TEA program commodities or funds can be used—to counter or offset unfair trade practices.

The new paragraph to be added to subsection (b) will add a second purpose for which TEA program commodities or funds are to be used, as follows: Use by the Secretary of Agriculture to assist organizations consisting of producers or processors of U.S. agricultural commodities, in such amounts as determined to represent reasonable expenses incurred by them, in defending countervailing duty actions instituted after January 1, 1986, in foreign countries to offset the benefits of the agricultural programs provided for under the Agricultural Act of 1949 or the Food Security Act. In no event could such assistance exceed \$500,000 for the defense of any one countervailing duty action.

(Note: Under U.S. trade law, countervailing duties are tariffs imposed on an imported article whenever a subsidy is bestowed by the exporting country on the manufacture or production for export of an article. The purpose of the countervailing duty law is to offset any unfair competitive advantage a manufacturer or marketer might have over the domestic producer as a result of the subsidy.)

Section 610—Sense of Congress—land grant colleges and universities

Section 610 will express the sense of Congress that—

(1) land grant colleges and universities should encourage the study and career objective of international marketing of agricultural commodities and products;

(2) marketing complements production, and international agricultural marketing specialists are needed in a globally competitive world; and

(3) enhanced foreign marketing of United States agricultural commodities ultimately will help relieve stress in the rural economy.

Chapter 2—Responsibilities of the Secretary of Agriculture and Related Provisions

Section 611—Technical assistance in trade negotiations

Section 611 will require the Secretary of Agriculture to provide technical services to the U.S. Trade Representative on matters pertaining to agricultural trade and with respect to international negotiations on issues relating to agricultural trade.

Section 612—Reporting by the Secretary of Agriculture

Import facilities report.—Section 612, in subsection (a), will require the Secretary of Agriculture to submit, not later than December 31, 1987, a report to the agriculture committees of Congress and the House Committee on Foreign Affairs on the following: The use of authorities under the Food for Peace Act of 1966, the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), section 416 of the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act to provide intermediate credit financing and other trade assistance for the establishment of facilities in importing countries to—

- (1) improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities and products;
- (2) increase livestock production to enhance the demand for United States feed grains; and
- (3) increase markets for United States livestock and livestock products.

Annual reports.—Section 612, in subsection (b), will require the Secretary of Agriculture to report annually to Congress (after consultation with the Administrator of the Agency for International Development) on the following: The extent that food aid and agriculturally-related economic assistance programs of the previous year, other than direct feeding or emergency food aid programs, that are administered by Federal agencies or nongovernmental entities serve direct market development objectives for U.S. agricultural commodities and products. Programs specifically listed as covered by the reporting requirements are—

- (1) programs under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480);
- (2) programs under section 416 of the Agricultural Act of 1949 and the Food for Progress Act of 1985; and
- (3) technical and economic assistance programs carried out by the Agency for International Development.

Section 613—Assessments of agricultural trade barriers

Section 613 will require the Secretary of Agriculture to prepare every six months a report, by country and commodity or product, on quantitative import restrictions, unfair trade barriers, and other policies and practices of foreign governments affecting exports of United States agricultural commodities and products and on any

reductions in such restrictions, barriers, policies, and practices since the previous report. The first such report would be filed not later than 180 days after the date of enactment of the bill.

The Secretary would submit each report to—

(1) the U.S. Trade Representative for use in preparing the analysis and estimate required by section 181 of the Trade Act of 1974 (that is, the annual report to the House Committee on Ways and Means on barriers to, and distortions of, U.S. exports of goods and services); and

(2) the agriculture committees of Congress.

(Note: Section 606 of the bill, described above, will provide for the creation of an office within the Department of Agriculture to assist victims of unfair trade practices. The assessments to be performed under section 613 could be used by such office.)

Section 614—Study of Canadian wheat import licensing requirements

Section 614, in subsection (a), contains findings of Congress, with regard to Canadian wheat import licensing requirements, as follows:

(1) Canadian importers of wheat or products containing a minimum of 25 percent wheat (except packaged wheat products for retail sale) from the United States must obtain import licenses from the Canadian Wheat Board;

(2) the Canadian Wheat Board requires such importers of U.S. wheat and wheat products to prove that the wheat or wheat products to be imported are not readily available in Canada before issuance of an import license, and therefore, for all practical purposes, such licenses are not granted by the Canadian Wheat Board;

(3) the licensing requirement of the Canadian Wheat Board's import licensing program results in a nontariff trade barrier on the importation of United States Wheat and wheat products; and

(4) Canada is a member of the General Agreement on Tariffs and Trade and under such agreement, member countries should eliminate import licensing programs that operate as nontariff trade barriers.

Section 614, in subsection (b), will require the Secretary of Agriculture, in order to assess the effect of the Canadian Wheat Board's import licensing program on U.S. wheat producers, processors, and exporters, to conduct a study of the Canadian Wheat Board's import licensing program to determine the following—

(1) the nature and extent of the licensing requirements of the Canadian Wheat Board's import licensing program;

(2) the estimated effect of the Canadian licensing program in reducing exports of U.S. wheat and wheat products to Canada; and

(3) the status of efforts by the U.S. Trade Representative to negotiate the elimination of such requirements.

The Secretary would be required to report the results of his study, not later than 90 days after the date of enactment of the bill, to the agriculture committees of Congress.

Section 615—Joint development assistance agreements with certain trading partners

Section 615, in subsection (a), will require the Secretary of Agriculture to develop plans for joint development assistance agreements with respect to countries that have substantial positive trade balances with the United States. The Secretary, in consultation with the Secretary of State and (through the Secretary of State) representatives of any such country, would be required to develop an appropriate plan (taking into consideration the agricultural economy of such country, the nature and extent of such country's programs to assist developing countries, and other relevant factors) under which that country would purchase U.S. agricultural commodities or products for use in development activities in developing countries. The Secretary would be required to submit each such plan to the President as soon as it is completed.

Section 615, in subsection (b), would authorize the President to enter into an agreement with any country that has a positive trade balance with the United States under which that country would purchase U.S. agricultural commodities or products for use in agreed-on development activities in developing countries.

Section 616—Food aid and market development

Section 616 provides that it will be the policy of the United States to use food aid and agriculturally-related foreign economic assistance programs more effectively to develop markets for U.S. agricultural commodities and products.

Section 616 also will require the Secretary of Agriculture to impose a requirement that, in each food assistance agreement with a foreign country under any program administered by the Secretary, the recipient country agree to give preference to U.S. food and food products in its food purchases.

SUBTITLE B—AGRICULTURAL EXPORT ENHANCEMENT

Section 621—Sense of Congress—export assistance programs

Section 621, in subsection (a), will express the sense of Congress that the Secretary of Agriculture should—

(1) allow more foreign countries to become eligible for the agricultural export enhancement program (EEP) established under section 1127 of the Food Security Act of 1985;

(2) establish a system to reward foreign governments that eliminate trade barriers; and

(3) fully fund—

(A) the agricultural export enhancement program (EEP) under section 1127;

(B) the export credit guarantee program (GSM-102) under which the Commodity Credit Corporation guarantees the repayment of credit extended on terms of up to three years in connection with the export sale of U.S. agricultural commodities and products;

(C) the program authorized by section 4(b) of the Food for Peace Act of 1966, known as the Intermediate Export Credit Sales Program (GSM-103), under which the Commodity Credit Corporation finances export sales of U.S. ag-

ricultural commodities and products on credit terms of more than 3 years but not more than 10 years;

(D) the targeted export assistance (TEA) program established under section 1124 of the Food Security Act of 1985.

Section 621, in subsection (b), will express the sense of Congress that the President should approve the sale of wheat to the Soviet Union under the export enhancement program established under section 1127 of the Food Security Act of 1985.

Section 622—Export enhancement program under section 1127 of the Food Security Act of 1985

Section 622 will make several amendments to section 1127 of the Food Security Act of 1985, which establishes the agricultural export enhancement program (EEP).

(Note: Under the export enhancement program, agricultural commodities and products acquired by the Commodity Credit Corporation are provided, at no cost, to U.S. exporters, users, processors, and foreign purchasers to encourage the development, maintenance, and expansion of export markets for U.S. agricultural commodities and products, including value-added or high-value agricultural products produced in the United States.)

Directions to the Secretary.—Subsection (a) of section 622 will make two amendments to subsection (b) of section 1127 (which provides directions to the Secretary of Agriculture in carrying out the export enhancement program), as follows:

(1) A new paragraph (3) would be added to subsection (b), and existing paragraphs (3), (4), and (5) would be redesignated as paragraphs (4), (5), and (6), respectively.

Paragraph (2) now requires the Secretary, in providing assistance to foreign purchasers of U.S.-produced agricultural commodities and products under section 1127, to give priority to foreign purchasers who have traditionally purchased U.S. agricultural commodities and products and are intending to purchase commodities and products in amounts greater than their historical purchase levels.

The new paragraph (3) would provide the Secretary with discretion to give priority to foreign purchasers of U.S.-produced agricultural commodities and products who have traditionally purchased such U.S. commodities and products and intend to continue purchasing these commodities and products in amounts at least equal to their historical purchase levels.

(2) A new paragraph would be added to subsection (b) of section 1127 to prohibit the Secretary from including as expenditures or as budget outlays (for purposes of the Congressional Budget and Impoundment Control Act of 1974 and the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman bill)) the commodity market effect of the agricultural commodities and products, or the CCC generic payment certificates, that are used for programs authorized under section 1127 if the commodities and products, or value of the commodities and products represented by certificates are used to meet the purposes set forth in subsection (a)(3)(A) of section 1127. The exclusion would apply, commencing with fiscal year 1988, if the commodities are used to counter or offset (a) the adverse effects of U.S. agricultural

exports of unfair trade practices by other countries, (b) the adverse effects of U.S. agricultural price support levels that are temporarily above export prices offered by our competitors in world markets, or (c) fluctuations in the exchange rate of the dollar. The prohibition likewise would apply to the Director of the Office of Management and Budget and the Director of the Congressional Budget Office.

Extension.—Subsection (b) of section 622 will amend subsection (i) of section 1127, which currently provides that during fiscal years 1986 through 1988 the value of agricultural commodities and products used in the export enhancement program cannot be less than \$1 billion nor more than \$1.5 billion.

The amendment would extend the period described above through fiscal year 1990, and increase—to \$2.5 billion—the upper limit on the value of commodities and products used in the program.

Valuation of commodities.—Subsection (c) of section 622 will add a new subsection (j) to section 1127. New subsection (j) would provide that, for purposes of meeting the requirements of subsection (i) of section 1127 relating to the amount of commodities to be used under the export enhancement program, the value of commodities or products distributed under the program would be determined by using the market value of the commodities or products at the time of distribution.

Section 623—Sense of Congress—implementation of sections 1129 and 1167 of the Food Security Act of 1985

Section 623 will express the sense of Congress that the Secretary of Agriculture should expedite the implementation of the following sections of the Food Security Act of 1985 relating to the barter of agricultural commodities:

(1) Section 1129, which added subsection (d) to section 416 of the Agricultural Act of 1949. Subsection (d) requires the Secretary to carry out a pilot program under which foreign strategic materials would be bartered for agricultural commodities made available under section 416.

(2) Section 1167, which amended section 4(h) of the Commodity Credit Corporation Charter Act (to require certain CCC barter activity, including barter to acquire petroleum for the Strategic Petroleum Reserve) and contains several other provisions relating to barters.

Section 623 also states that Congress recognizes the importance of barter programs in expanding agricultural trade, and emphasizes this importance to the Secretary.

Section 624—Extension of authority to finance transactions of cooperatives

Section 624 will amend section 4.20 of the Farm Credit Act of 1971, which contains termination, or “sunset,” provisions applicable to certain other provisions of the Farm Credit Act, effective September 30, 1990. Section 623 will delete from section 4.20 the 1990 termination date for the provisions of section 3.7(b) of the Farm Credit Act authorizing the financing of domestic or foreign entities in connection with the import or export activities of coop-

eratives that are borrowers from the banks for cooperatives. The effect of the deletion will be to provide permanent authorization for such financing.

Section 625—Export sales of Government stocks at subsidized prices

Section 625 will amend section 1203 of the Agriculture and Food Act of 1981, which currently provides authority for a special standby export subsidy program.

(Note: The standby subsidy program under section 1203 is designed to neutralize the effects of agricultural export subsidy programs of other countries. Under the program, the Secretary of Agriculture is authorized to provide subsidies for U.S. agricultural exports to counteract the export subsidies of other countries after certain steps are taken under our trade laws. The Secretary is required to use the Commodity Credit Corporation to carry out the program.)

Section 625 will strike out subsection (d) of section 1203, redesignate subsection (c) as subsection (d), and insert a new subsection (c).

The subsection to be deleted provides that the Secretary cannot implement the special standby export subsidy program for cotton.

The new subsection (c) to be added will establish a new export subsidy program under section 1203, as follows: The Secretary would be required to take all feasible steps to cause the exportation, at competitive world prices, of basic agricultural commodities (corn, cotton, peanuts, rice, tobacco, and wheat) produced in the United States. To achieve such goal, the Secretary would be required, if necessary, to subsidize the price of exporting any basic agricultural commodity that the Secretary acquires under any price support loan program. The aggregate value of any subsidy could not exceed the sum of—

- (1) the cost to the Government that would result from acquiring (under price support loan activities) but not selling such commodity, including the costs of transportation, storage, and maintenance of quality incurred in connection with retaining such commodity; and

- (2) the increase in tax revenues to the United States arising from the growth in the gross national product that would result from the export sales of such agricultural commodity, as estimated by the Secretary.

Section 625 also will make a conforming amendment in subsection (c) of section 1203 to provide that the new program would be carried out through the Commodity Credit Corporation.

Section 626—Sense of Congress—Japanese beef market

Section 626, in subsection (a), contains proposed findings of Congress, as follows:

- (1) Japanese trade barriers result in a continuous and increasingly unfavorable balance of trade for the United States;

- (2) the United States maintains a relatively open and free trade policy for imports of Japanese goods and services;

- (3) Japan maintains unreasonably low quotas on imports of United States beef that are not consistent with Japan's international obligations;

(4) in August 1984, Japan and the United States signed a four-year beef agreement that provides for an annual increase of only 6,900 metric tons of Japanese beef imports, and includes a provision for the immediate and meaningful liberalization of the Japanese market for trade in beef from the United States;

(5) if the remaining import quotas were eliminated, the United States could supply a substantial portion of the Japanese beef market due to the strong comparative advantage of the United States in the production of beef;

(6) the U.S. cattle-raising industry has not been profitable since 1980;

(7) the current beef agreement with Japan expires on March 31, 1988, and negotiations for another agreement will begin this year; and

(8) even with the beef agreement, Japanese imports of U.S. beef fall considerably short of the market's free trade potential.

Section 626, in subsection (b), will express the sense of Congress that—

(1) the U.S. Trade Representative should enter into negotiations to gain substantially greater access for U.S. beef to the Japanese market;

(2) such negotiations, in addition to meaningful market access, should also address the high Japanese tariffs, the practices of the Japanese Livestock Industry Promotion Corporation, and the means through which imported beef is distributed in Japan; and

(3) by March 31, 1988, if Japan does not show clear evidence that it is engaging in meaningful liberalization in its market for U.S. beef, the appropriate U.S. Government officials should use all available and appropriate avenues, including retaliation, to encourage Japan to open its market to U.S. beef imports.

Section 627—Sense of Congress—Korea's beef market

Section 627, in subsection (a), contains proposed findings of Congress, as follows:

(1) the trade balance between the Republic of Korea and the United States was \$7.6 billion in favor of Korea in 1986;

(2) the Republic of Korea has banned high quality beef imports since May 1985;

(3) this beef import ban is in contravention of Korea's General Agreement on Tariffs and Trade obligations and impairs United States GATT Rights;

(4) Korea imposes an unreasonably high 20 percent ad valorem tariff on meat products;

(5) if the Korean import ban were removed, the United States could supply a significant portion of the Korean beef market; and

(6) the U.S. cattle-raising industry has not been profitable since 1980.

Section 627, in subsection (b), will express the sense of Congress that—

(1) the Republic of Korea should take immediate action to fulfill its GATT obligations and permit access to its market by U.S. beef producers;

(2) the U.S. Trade Representative should enter into negotiations to gain greater access to the Korean market for U.S. beef;

(3) such negotiations, in addition to greater market access, also should address the high tariffs set by the Republic of Korea and the means by which imported beef is distributed in Korea; and

(4) if the Republic of Korea does not immediately show clear evidence that it is engaging in meaningful liberalization in its market for United States beef, the appropriate U.S. Government officials should use all available and appropriate avenues, including retaliation, to encourage the Republic of Korea to open its market to U.S. beef imports.

SUBTITLE C—AGRICULTURAL AID AND TRADE

Chapter 1—Findings

Section 631—Findings

Section 631 contains proposed findings of Congress relating to the need for agricultural aid and trade missions, as follows:

(1) U.S. agricultural exports have declined by more than 40 percent since 1981, from \$43.8 billion in 1981 to \$26.3 billion in 1986;

(2) the U.S. share of the world market for agricultural commodities and products has dropped by 28 percent during the last five years;

(3) for the first time in 15 years, the United States incurred monthly agricultural trade deficits in 1986;

(4) the loss of \$1 billion in U.S. agricultural exports causes the loss of 35 thousand agricultural jobs and the loss of 60 thousand nonagricultural jobs;

(5) the loss of agricultural exports threatens family farms and the economic well-being of rural United States;

(6) to reverse the decline of agricultural exports and improve prices for U.S. farmers and ranchers, it is necessary that all agricultural export programs be used in an expeditious manner, including such programs established under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), the Commodity Credit Corporation Charter Act, and section 416 of the Agricultural Act of 1949;

(7) greater use should be made by the Secretary of Agriculture of the authorities established under the Food for Peace Act of 1966, Agricultural Trade Development and Assistance Act of 1954, section 416 of the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act to provide intermediate credit financing and other assistance for the establishment of facilities in importing countries to—

(a) improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities and products; and

(b) increase livestock production to enhance the demand for U.S. feed grains;

(8) food aid and export assistance programs stimulate economic activity in developing countries and, as incomes improve, diets improve and the demand for and ability to purchase food increases;

(9) private voluntary organizations and cooperatives are important and successful partners in our food aid and development programs; and

(10) in addition to meeting humanitarian needs, food aid used in sales and barter programs by private voluntary organizations and cooperatives—

(A) provide communities with health care, credit systems, and tools for development; and

(B) establish the infrastructure that is essential to the expansion of markets for U.S. agricultural commodities and products.

Chapter 2—Agricultural Aid and Trade Missions

Section 632—Definitions

Section 632 provides definitions of terms used in chapter 1 of subtitle C, as follows: “Administrator”, “eligible country”, “mission”, and “United States agricultural aid and trade programs”.

As defined in section 632, the term “United States agricultural aid and trade program” includes—

(1) programs established under title I (concessional sales) and title II (food donations) of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480);

(2) the program established under section 416(b) of the Agricultural Act of 1949;

(3) the agricultural export enhancement program established under section 1127 of the Food Security Act of 1985;

(4) the dairy export incentive program established under section 153 of the Food Security Act of 1985;

(5) the export credit guarantee program (GSM-102) established under section 5(f) of the Commodity Credit Corporation Charter Act;

(6) the intermediate export credit guarantee program (GSM-103) established under section 4(b) of the Food for Peace Act of 1966; and

(7) other agricultural aid and trade programs authorized by the Food Security Act of 1985, the Commodity Credit Corporation Charter Act, or by other applicable authorities.

Section 633—Agricultural aid and trade missions

Section 633 will require the Secretary of Agriculture, the Secretary of State, and the Administrator of the Agency for International Development to jointly establish, not later than 60 days after the date of enactment of the bill, agricultural aid and trade missions to certain countries (as provided in section 634 of the bill) to encourage the countries to participate in U.S. agricultural aid and trade programs.

A mission to an eligible country would be composed of—

(1) representatives of the Department of Agriculture, the Department of State, and the Agency for International Development, appointed by the Secretary of Agriculture, Secretary of State, and AID Administrator, respectively; and

(2) not less than three, nor more than six, representatives of market development cooperators, private voluntary organizations, and cooperatives, appointed jointly by the Secretary of Agriculture, Secretary of State, and AID Administrator, who are knowledgeable about food aid and agricultural export programs, as well as the food needs, trade potential, and economy of the eligible country. The term of members of a mission would terminate on submission of the report required under section 636 of the bill.

A member of a mission would serve without compensation, if not otherwise an officer or employee of the United States, except that a member, while away from home or regular place of business in the performance of service on the mission, would be allowed travel expenses, including per diem in lieu of subsistence, as authorized under section 5703 of title 5, United States Code.

Section 634—Required and additional meetings; eligible countries

Section 634 will require that 15 agricultural aid and trade missions be conducted (and authorize other missions) and establish criteria for the selection of countries in which missions will be conducted.

Specifically, section 634 will require that missions be established and completed—

(1) not later than six months after the date of enactment of the bill, in seven countries chosen in accordance with the criteria described below; and

(2) not later than one year after the date of enactment of the bill, in eight additional countries chosen in accordance with such criteria.

After the completion of the required missions, a mission could be established to any foreign country chosen in accordance with the criteria described below.

Under section 634, the Secretary of Agriculture and the Administrator of the Agency for International Development would jointly select foreign countries for missions so that—

(1) each foreign country selected represents a range of per capita income levels in the low to middle levels;

(2) each such foreign country is eligible for one or more U.S. agricultural trade and aid programs;

(3) priority is given to foreign countries for which participation in U.S. aid and trade programs would be mutually advantageous, taking into account the potentials for—

(a) economic development for the foreign country; and

(b) increased trade opportunities for the United States through the establishment of markets for U.S. agricultural commodities and products; and

(4) each such foreign country is friendly to the United States.

Section 635—Functions

Section 635 describes the functions of the agricultural aid and trade missions to be established under sections 633 and 634.

Specifically, section 635 will require that the members of a mission to a foreign country—

(1) meet with representatives of government agencies of the United States and the eligible country, as well as commodity boards, private enterprises, private voluntary organizations, and cooperatives that operate in the eligible country, to assist in planning the extent to which U.S. agricultural aid and trade programs could be used in a mutually beneficial manner to meet the food and economic needs of the country;

(2) provide technical expertise and information to representatives of Government agencies of the United States in eligible countries and of the eligible country and private organizations, with respect to U.S. agricultural aid and trade programs and agricultural commodities and products and other assistance available to the eligible country under the programs; and

(3) assist in obtaining firm commitments for—

(a) proposals for food aid programs; and

(b) agreements for commodity sales under agricultural export programs.

Section 636—Mission reports

Section 636 will require each agricultural aid and trade mission, not later than 60 days after the completion of a mission under section 634 of the bill, to submit to the President, the agriculture committees of Congress, the House Committee on Foreign Affairs, the Secretary of Agriculture, the Secretary of State and AID Administrator a report that contains the findings and recommendations of the mission.

Section 637—Progress reports

Section 637 will require the Secretary of Agriculture, the Secretary of State, and the Administrator of the Agency for International Development jointly to submit quarterly reports to the agriculture committees of Congress and the House Committee on Foreign Affairs during the two-year period beginning one year after the date of enactment of the bill. The reports would cover progress made in implementing of the agricultural aid and trade missions reported under section 636 of the bill, including the quantity and dollar value of U.S. agricultural commodities and products shipped to countries to which missions are conducted and the specific development programs undertaken in accordance with the mission program.

Section 638—Use of Commodity Credit Corporation

Section 638 will require the Secretary of Agriculture to use the funds, facilities, services, and authorities of the Commodity Credit Corporation to carry out the agricultural aid and trade mission provisions of the bill.

CHAPTER 3—TITLE II OF PUBLIC LAW 480; SECTION 416 OF THE AGRICULTURAL ACT OF 1949; AND THE FOOD FOR PROGRESS PROGRAM

Section 641—Title II—Limitation on monetization

Section 641 will amend section 206 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). Currently, section 206 prohibits (except to meet famine or other urgent or extraordinary relief requirements) the use of assistance under title II (food donations) of Public Law 480 to generate foreign currency proceeds unless certain conditions are met.

Section 641 will add a specific exception to the restrictions on monetization of title II assistance, as follows: nonemergency programs conducted by nonprofit voluntary agencies or cooperatives.

Section 641 also will designate the text of section 206 as subsection (a) and add a new subsection (b). New subsection (b) would require the President to report to Congress, not later than February 15, 1988, and annually thereafter, on sales and barter, and use of foreign currency proceeds, under section 206 and section 207 of Public Law 480 during the preceding fiscal year.

(Note: The provisions of section 207 are described in the analysis of section 642 below.)

Each report under new subsection (b) would include information on—

- (1) the quantity of commodities furnished for such sake or barter;
- (2) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in the preceding fiscal year;
- (3) how such funds and services were used;
- (4) the amount of foreign currency proceeds that were used under agreements under sections 206 and 207 in the preceding year, and the percentage of the quantity of all commodities and products furnished under such sections in the fiscal year that such use represented;
- (5) the President's best estimate of the amount of foreign currency proceeds that will be used, under agreements under sections 206 and 207, in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the President estimates will be furnished under such sections in each such fiscal year.
- (6) the effectiveness of such sales, barter, and use during the preceding fiscal year in facilitating the distribution of commodities and products under sections 206 and 207;
- (7) the extent to which such sales, barter, or uses—
 - (a) displace or interfere with commercial sales of U.S. agricultural commodities and products that otherwise would be made;
 - (b) affect usual marketings of the United States;
 - (c) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries; or

- (d) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under title II; and
- (8) the President's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under sections 206 and 207.

Section 642—Title II—use of foreign currency proceeds

Section 642 will amend section 207 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). Currently, section 207, in subsection (a), requires nonprofit voluntary agencies requesting nonemergency food assistance agreements under title II of Public Law 480 to include in their requests descriptions of the intended uses of foreign currency proceeds generated with the commodities provided under the agreements. It also now provides, in subsection (b), that such agreements must provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds in an amount not less than five percent of the value of all commodities distributed under title II nonemergency programs for such fiscal year.

Section 642 will amend subsection (a) to extend its applicability to cooperatives as well as nonprofit voluntary agencies.

It will amend subsection (b) to increase the minimum required monetization thereunder from five percent to ten percent.

Section 642 also will add a new subsection (c) to section 207, which will spell out what foreign currencies generated by monetization can be used for, as follows: Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative could be used to—

- (1) transport, store, or distribute agricultural commodities, to ensure that such commodities reach their final users in usable condition or otherwise enhance the effectiveness of the use of commodities donated under title II; and
- (2) implement income-generation, community development, health, nutrition, cooperative development, or agricultural programs, or other developmental activities.

(Note: The proposed new language is substantially the same as that proposed to be added to section 416(b) of the Agricultural Act of 1949 by section 647, described below.)

Section 643—Title II—periods for review and comment

Section 643 will amend title II of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) by adding a new section 208, which will provide as follows: If a proposal to make agricultural commodities available under title II is submitted by a nonprofit voluntary agency or cooperative with the concurrence of the appropriate U.S. Government field mission or if a proposal to make agricultural commodities available to a nonprofit voluntary agency or cooperative is submitted by the U.S. Government field mission, a response to that proposal must be provided within 45 days following submission of the proposal. The response would have to detail the reasons for approval or denial of the proposal. If the proposal is denied, the response would have to specify the conditions that would need to be met for the proposal to be approved.

Not later than 30 days before the issuance of a final guideline issued to carry out title II, the President would be required to—

(1) provide notice of the proposed guideline to nonprofit voluntary agencies and cooperatives that participate in programs under title II, and other interested persons, that the proposed guideline is available for review and comment;

(2) make the proposed guideline available, on request, to the agencies, cooperatives, and others; and

(3) take any comments received into consideration before the issuance of the final guideline.

(Note: These provisions are substantially the same as those proposed to be added to section 416(b) of the Agricultural Act of 1949 by section 648 of the bill, described below.)

Section 644—Section 416—eligible commodities

Section 644 will amend subsection (b) of section 416 of the Agricultural Act of 1949. Subsection (b) of section 416 currently authorizes the Secretary of Agriculture to provide to the title II food donation program under title II of the Agricultural Trade Development and Assistance Act of 1954 and the Food for Progress program under section 1110 of the Food Security Act of 1985, and for other purposes, the following: dairy products, grains, and oilseeds acquired by the Commodity Credit Corporation through price support operations and other edible agricultural commodities acquired by the Commodity Credit Corporation in the normal course of operations. Such food products may be donated through foreign governments, public and private nonprofit humanitarian organizations, and international organizations. However, donations must be coordinated with and complement other U.S. foreign assistance efforts and comply with the principle of additionally. The Agency for International Development acts as the agent of the Commodity Credit Corporation for the section 416(b) program.

Section 646 will amend paragraph (s) of section 416(b), which specifies what CCC commodities can be used for the program. In lieu of just “grains” acquired through the price support operations to be eligible for use, under section 644 “wheat, rice, feed grains” would be eligible; and, as to any eligible price support commodity, eligibility would be extended to products of such commodities.

Section 644 also will make a conforming amendment to paragraph (10)(A)(i) of section 416(b).

Section 645—Section 416—Availability of commodities

Section 645 will amend subsection (b) of section 416 of the Agricultural Act of 1949. (Note: See the analysis of section 644 above for a brief description of the section 416(b) program.)

Specifically, section 645 will amend paragraph (3) of section 416(b), which provides limitations on the use of commodities under the section 416(b) programs, by adding a new subparagraph (D). New subparagraph (D) would provide that, if agricultural commodities are made available under section 416(b) to a friendly country, the Secretary of Agriculture would be required also to provide an opportunity to nonprofit and voluntary agencies and cooperatives to obtain such commodities for food aid programs in that country.

Section 646—Section 416—multiyear agreements

Section 646 will add a new provision to subsection (b) of section 416 of the Agricultural Act of 1949.

(Note: See the analysis of section 644 above for a brief description of the section 416(b) program.)

Specifically, section 646 will add the new provision to paragraph (4) of section 416(b), which currently provides that agreements under section 416(b) can provide for commodities to be provided in installments over an extended period of time. The proposed new provision is as follows: In agreements with recipients of commodities under section 416(b) (including nonprofit and voluntary agencies or cooperatives), subject to the availability each fiscal year of commodities, the Secretary of Agriculture is to be encouraged to approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of section 416(b).

(Note: This provision is substantially similar to the provision to be added to section 1110 of the Food Security Act of 1985 (the Food for Progress program authorization) by section 650 of the bill, described below.)

Section 647—Section 416—foreign currency use and allocation requirements

Section 647 will revise subsection (b) of section 416 of the Agricultural Act of 1949 in two instances. (Note: See the description of section 644 above for a brief description of the section 416(b) program.)

Specifically, section 647 will revise clause (ii) of subparagraph (D) of paragraphs (7) of section 416(b). Paragraph (7) contains provisions specifying the terms and conditions under which section 416(b) commodities can be sold or bartered (that is, monetized). Subparagraph (D) of paragraph (7) covers monetization by nonprofit and voluntary agencies, and cooperatives. Currently, clause (ii) of subparagraph (D) provides that foreign currency proceeds from monetization can be used by such entities for activities that will enhance the effectiveness of transportation, distribution, and use of section 416(b) commodities, including food for work programs and cooperative and agricultural projects.

Under section 647, those provisions would be deleted and the following substituted: Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit and voluntary agency or cooperative could be used to—

- (1) transport, store, or distribute agricultural commodities, to ensure that such commodities reach their final users in usable condition or otherwise enhance the effectiveness of the use of commodities donated under section 416(b); and

- (2) implement income-generation, community development, health, nutrition, cooperative development, or agricultural programs or other developmental activities.

(Note: The proposed new language here is substantially the same as the proposed new subsection (c) of section 207 of the Agricultural Trade Development and Assistance Act of 1954, as provided in section 642 of the bill.)

Section 647 also will amend clause (iii) of section 416(b)(7)(D), which currently requires that the section 416(b) agreements for any fiscal year, in the aggregate, must provide for monetization of not less than five percent of the section 416(b) commodities made available in the fiscal year. The amendment will increase—to ten percent or the minimum tonnage required to be used under section 416(b) for the fiscal year, whichever is greater—the minimum monetization requirement of clause (ii).

Section 648—Section 416—periods for review and comment

Section 648 will amend subsection (b) of section 416 of the Agricultural Act of 1949.

(Note: See the description of section 644 above for a brief description of the section 416(b) program.)

Specifically, section 648 will add a new subparagraph (C) to paragraph (8) of section 416(b), which relates to the administration of the 416(b) program, as follows: If a proposal to make agricultural commodities available under section 416(b) is submitted by a non-profit and voluntary agency or cooperative with the concurrence of the appropriate U.S. Government field mission or if a proposal to make such commodities available to a nonprofit and voluntary agency or cooperative is submitted by the U.S. Government field mission, a response to that proposal must be provided within 45 days following submission of the proposal. The response would have to detail the reasons for approval or denial of the proposal. If the proposal is denied, the response would have to specify the conditions that would need to be met for the proposal to be approved. Not later than 30 days before the issuance of a final guideline issued to carry out section 416(b), the Secretary of Agriculture would be required to—

- (1) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that participate in programs under section 416(b), and other interested persons, that the proposed guideline is available for review and comment;

- (2) make the proposed guideline available, on request, to agencies, cooperatives, and others; and

- (3) take any comments received into consideration before the issuance of the final guideline.

(Note: These provisions are substantially the same as those proposed to be added to title II of the Agricultural Trade Development and Assistance Act of 1954 by section 643 of the bill, described above.)

Section 649—Section 416—minimum quantities of eligible commodities

Section 649 will amend subsection (b) of section 416 of the Agricultural Act of 1949.

(Note: See the description of section 644 above for a brief description of the section 416(b) program.)

Specifically, section 649 will amend paragraph (10) of section 416(b), effective beginning in fiscal year 1987. Paragraph (10) establishes the minimum tonnage of CCC commodities that must be made available for disposition through the section 416(b) program each fiscal year. Under current law, the minimum tonnages for

each fiscal year (subject to certain limitations set out in paragraph (10)) are—

(1) 500,000 metric tons of grains and oilseeds, or ten percent of the CCC uncommitted stocks of such commodities, whichever is less; and

(2) ten percent of the CCC uncommitted stocks of dairy products, but not less than 150,000 metric tons (if available from uncommitted stocks).

The amendment to be made by section 469 would increase—

(1) the grain and oilseeds specific minimum tonnage figure from 500,000 to 800,000 metric tons; and

(2) the dairy products specific minimum tonnage figure from 150,000 to 200,000 metric tons.

Section 649 also provides that, if the increase in minimum metric tonnage provided by the amendment will result in additional budget outlays for a fiscal year, such increased tonnage may not be provided unless such additional outlays are approved in advance in an appropriation Act.

Section 650—Multiyear agreements under the Food for Progress program

Section 650 will amend section 1110 of the Food Security Act of 1985. Section 110 authorizes the President to enter into agreements with developing countries to furnish to such countries commodities made available under title I (concessional agreements) of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and section 416(b) of the Agricultural Act of 1949. Such agreements are to be made to countries that are committed to carrying out policies that promote economic freedom, private domestic production of food commodities for domestic consumption, and the development of efficient domestic markets for food commodities. The agreements can provide for commodities to be furnished on a multiyear basis.

Section 650 will redesignate subsection (k) of Section 1110 as subsection (l) and insert a new subsection (k) to provide as follows: In carrying out section 1110, subject to the availability of commodities, the President will be encouraged to approve multiyear agreements to make commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of section 1110.

(Note: This provision is substantially similar to a provision to be added to section 416 of the Agricultural Act of 1949 by section 646 of the bill, described above.)

SUBTITLE D—WOOD AND WOOD PRODUCTS

Section 651—Developing markets for wood and wood products under Public Law 480

Section 651 will amend section 104 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), which provides that the President can enter into concessional agricultural export sales agreements with other countries if the agreement meets one of several specified purposes. Among those purposes, as specified in subsection (b)(1), is the implementation of programs to

help develop new markets for U.S. agricultural commodities. Section 651 will amend subsection (b)(1) to specify that the term "agricultural commodities" includes wood and processed wood products.

Section 651 also will amend section 108 of Public Law 480, which authorizes concessional agricultural export sales agreements under which foreign currency proceeds generated by the sales are used to foster the development of private enterprise institutions in the importing country. The amendment to be made by section 651 will add a new paragraph (3) to subsection (i) of section 108, to clarify the meaning of terms used in section 108. Specifically, new paragraph (3) provides that the terms "private sector development activity" and "private enterprise investment" will include the construction of low- and medium-income housing and shelter.

Section 652—Developing markets for wood and wood products under the short-term and intermediate-term export credit programs

Section 652, in subsection (a), will amend section 1125(b) of the Food Security Act of 1985, which requires the Commodity Credit Corporation to make available annually (for each of the 1986 through 1990 fiscal years) not less than \$5 billion in credit guarantees under its export credit guarantee program for short-term financing of export sales of U.S. agricultural commodities and products (commonly known as the GSM-102 program).

The amendment would add language to section 1125(b) to clarify that the term "agricultural commodities and the products thereof" includes wood and processed wood products.

The amendment also will add a new subsection (d) to section 1125 to define the term "wood and processed wood products" to include logs, lumber (boards, timber, millwork, molding, flooring, and siding), veneer, panel products (plywood, particle board, and fiberboard), utility and telephone poles, other poles and posts, railroad ties, wood pulp, and wood chips.

Section 652, in subsection (b), will amend section 4(b) of the Food for Peace Act of 1966, which provides for a Commodity Credit Corporation intermediate credit program to assist in financing export sales of U.S. agricultural commodities. The amendment would add a provision to paragraph (1) of section 4(b) to clarify that the term "agricultural commodities", for purposes of the intermediate credit program, includes wood and processed wood products, as defined in section 1125(d) of the Food Security Act of 1985. That definition will be added to section 1125 by subsection (a) of section 652, described above.

Section 653—Forest Products Competitive Marketing Act of 1987

Section 653 contains provisions that, under subsection (a) thereof, will be cited as the "Forest Products Competitive Marketing Act of 1987".

Subsection (b) of section 653 contains certain proposed findings of Congress, as follows:

(1) the health and vitality of the domestic forest products industry is important to the well-being of the economy of the United States;

(2) the domestic forest products industry has a significant potential for expansion in both domestic and foreign markets;

(3) many small-sized to medium-sized forest products firms lack the tools that would enable them to meet the increasing challenge of foreign competition in domestic and foreign markets; and

(4) a new cooperative forest products marketing program will improve the competitiveness of the U.S. forest products industry.

Subsection (b) also states that the purposes of the section are to—

(1) provide direct technical assistance to the U.S. forest products industry to improve marketing activities;

(2) provide cost-share grants to States to support State and regional forest products marketing programs; and

(3) target assistance to small-sized to medium-sized producers of solid wood and processed wood products, including pulp.

Subsection (c) of section 653 will require the Secretary of Agriculture, acting under Public Law 95-313, the Cooperative Forestry Assistance Act, to establish a cooperative national forest products marketing program to include providing—

(1) technical assistance to States, landowners, and small-sized to medium-sized forest products firms on ways to improve domestic and foreign markets for forest products;

(2) grants of financial assistance (with matching requirements) to the States to assist in State and regional forest products marketing efforts targeted to aid small-sized to medium-sized forest products firms and private, nonindustrialized forest landowners. Grant agreements would have to encourage the establishment of interstate cooperative agreements by the States for the purpose of promoting the development of domestic and foreign markets for forest products.

Subsection (d) of section 653 will require the Secretary, in carrying out section 653, to cooperate with Federal departments and agencies to avoid duplication of efforts and to increase program efficiency.

Subsection (d) also provides that the marketing program is to be carried out within the United States and not be extended to Department of Agriculture activities in foreign countries.

Subsection (e) of section 653 will authorize to be appropriated \$5,000,000 for each of the 1988 through 1991 fiscal years to carry out the marketing program.

Subsection (e) of section 653 will require the Secretary to report to Congress annually on the activities taken under the marketing program. A final report including recommendations for program changes and the need and desirability of the reauthorization of the section 653 authority, and required levels of funding, would have to be submitted to Congress not later than September 30, 1990.

Section 654—Use of Department of Agriculture programs

Section 654 will require the Secretary of Agriculture to actively use Department of Agriculture commercial and concessional export credit programs for the export of wood and processed wood products.

SUBTITLE E—MISCELLANEOUS PROVISIONS REGARDING INTERNATIONAL
AGRICULTURE AND RELATED PROGRAMS

Section 661—Allocation of certain milk

Section 661 provides that, notwithstanding any other provision of law, milk produced by dairies—

- (1) owned or controlled by foreign persons, and
 - (2) financed by or with the use of industrial revenue bonds,
- will be treated as other-source milk, and will be allocated as milk received from producer-handlers for the purposes of classifying producer milk, under the milk marketing program under the Agricultural Adjustment Act, as reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

As used in section 651, the term “foreign person” will have the meaning given such term under section 9(3) of the Agricultural Foreign Investment Disclosure Act of 1978.

(Note: Section 9(3) of the 1978 Act defines the term to mean—

(1) an individual who is not a citizen or national of the United States, nor a citizen of the Northern Marianas or the Pacific Trust Territories, nor a permanent resident alien or parolee under the Immigration and Nationality Act;

(2) a business entity created or organized under the laws of a foreign government or that has its principal place of business outside the United States; or

(3) a business entity organized within the United States in which a significant interest or substantial control is directly or indirectly held by a foreign person or government.)

Section 641 will not apply to any dairy that began operation before May 6, 1986.

The Secretary of Agriculture will be required to prescribe regulations to carry out section 661.

Section 662—Milk price supports—excess casein imports

Section 662, in subsection (a), provides that to the extent that imports of casein for calendar year 1988 are expected to exceed the average annual level of imports of casein during 1981 through 1985, the Secretary of Agriculture must reduce the estimated level of purchases of milk and the products of milk for calendar year 1988 (calculated under section 201(d)(1)(D)(i) of the Agricultural Act of 1949) by the milk equivalent poundage of the estimated 1988 increase in casein imports over the average import level.

(Note: Section 201(d)(1)(D)(i) of the 1949 Act provides that, if on January 1 of any of the calendar years 1988, 1989, and 1990, the estimated level of net Commodity Credit Corporation purchases of milk and milk products under the milk price support program will exceed five billion pounds, the Secretary must reduce by 50 cents the existing rate of price support for milk.)

Section 662 also provides that, unless there is a legally mandated reduction limiting calendar year 1988 imports of casein to a level that is less than the average of imports of casein during 1981 through 1985, estimated imports of casein for calendar year 1988 cannot be established, for purposes of section 662, at a level that is less than the actual imports of casein for calendar year 1986. The milk equivalent poundage of casein for purposes of section 662

must be derived by application of a formula wherein one pound of casein is determined to the equivalent of 36.9 pounds of milk containing 3.67 percent milkfat.

Section 662, in subsection (b), provides that dairy products that will be sold directly from commercial stocks under the dairy export incentive program under section 5 of the Commodity Credit Corporation Charter Act in calendar year 1988, as estimated by the Secretary, will not be counted in estimating Commodity Credit Corporation purchases of milk and products of milk in calendar year 1988 under section 201(d)(1)(D)(i) of the Agricultural Act of 1949.

Section 663—Exported tobacco report

Section 663 will amend the Tobacco Adjustment Act of 1983 by adding a new section 214.

New section 214 of the Tobacco Adjustment Act would provide that, notwithstanding any other provision of law, before the exportation of any tobacco or tobacco product from the United States (including reexports or transshipments of tobacco and tobacco products and any tobacco or tobacco product entering foreign trade zones in the United States) the exporter must prepare a certified report (as described below) and file a copy of the report with the Secretary of Agriculture.

The certified report must specify, by percent, weight, and type—

- (1) the quantity of tobacco, contained in the tobacco or tobacco product, that was grown in the United States; and
- (2) the quantity of foreign grown tobacco contained in the tobacco or tobacco product.

The Secretary must use the reports to verify tobacco stock reports; estimates of United States produced or grown tobacco that is exported from the United States, for the purposes of determining tobacco poundage quotas under the Agricultural Adjustment Act of 1938; and compliance with the requirements of the export credit programs of the Department of Agriculture.

The Secretary annually must report to Congress, in the aggregate, the information contained in certified reports along with information disclosed by tobacco importers on the identification of end users of imported tobacco, as required under section 213(f) of the Tobacco Adjustment Act.

Section 664—International agreement to reduce grain production

Section 664, in subsection (a), contains proposed findings of Congress that—

- (1) worldwide production of grains has overwhelmed demand, resulting in excessive carryover stocks;
- (2) individual countries cannot reduce their own production without detriment to their own farmers;
- (3) it is to the advantage of the United States and other grain-producing countries to reduce production so stocks can be brought closer to demand levels; and
- (4) it is the policy of the United States to keep supply and demand in relative balance in concert with other countries.

Section 664, in subsection (b), will require the Secretary of Agriculture to initiate discussions with other major grain-producing countries (including the members of the European Community,

Canada, Australia, and Argentina) leading toward an agreement to reduce grain production multilaterally.

Section 664, in subsection (c), will require the Secretary to report to Congress on the progress of the discussions required under subsection (b) not later than March 1, 1988.

Section 665—Self-help measures to promote conservation and study of biological diversity

Section 665 will amend section 109(a) of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), which requires the President (prior to entering into a concessional agricultural export sales agreement under title I of Public Law 480) to consider the extent to which the importing country is undertaking self-help measures to increase agricultural production and improve the means of storing and distributing agricultural commodities, including 11 specific self-help criteria. The amendment would add to section 109(a) a twelfth criterion, as follows: efforts to promote the conservation and study of biological diversity.

Section 666—Sense of Congress—minimum level of food assistance

Section 666 contains a proposed sense of Congress that the United States should maintain its historic proportion of food assistance constituting one-third of all U.S. foreign economic assistance; and accordingly, not less than one-third of the funds available each fiscal year for foreign economic assistance programs should be used to make U.S. food assistance available to foreign countries under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and section 416(b) of the Agricultural Act of 1949.

For the purpose of section 666, the term "foreign economic assistance" will include (1) assistance under chapter 1 of part I of the Foreign Assistance Act of 1961, the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), section 416(b) of the Agricultural Act of 1949, or any other law authorizing economic assistance for foreign countries; and (2) U.S. contributions to the International Bank for Reconstruction and Development, the International Development Association, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other multilateral development bank. Not included would be foreign economic assistance tied in with military or national security operations.

SUBTITLE F—DOMESTIC MARKETS FOR AGRICULTURAL COMMODITIES AND PRODUCTS

Chapter 1—Actions Affecting Imports; Studies and Plans

Section 671—Meat food product labeling

Section 671 will amend section 1(n) of the Federal Meat Inspection Act to specify that the term "misbranded" will apply to any carcass, part thereof, meat, or meat food product, if the labeling or other official mark on meat or a meat food product or on the package containing the article fails to indicate the country of origin of

any such meat or product that is received, shipped, consigned, sold, or offered for sale.

(Note: Misbranding is a prohibited act under the Federal Meat Inspection Act.)

Section 672—Amendments to the marketing order provisions of the Agricultural Adjustment Act

Section 672, in subsection (a), will amend section 8e of the Agricultural Adjustment Act to provide that the effective period for the prohibition on imports of certain agricultural commodities could be established in advance of the date when a marketing order is in effect if the Secretary finds that, to effectuate the declared policy of the Act, an earlier effective period is needed to prevent the importation into the United States of commodities that would otherwise fail to meet grade, size, quality, or maturity requirements when the imported commodity is marketed during the period of time that regulations are in effect under the order.

(Note: The prohibition under existing law (7 U.S.C. 608e-1) to be modified by the bill is against the importation of certain itemized commodities during the period in which marketing orders are in effect for such commodities unless the imports comply with grade, size, quality, or maturity provisions of an order.)

Section 672, in subsection (b), will amend section 8c(6)(I) of such Act to provide authority for the marketing order for Florida-grown strawberries to allow market development funds collected under the order to be spent on any form of marketing promotion including paid advertising.

Section 673—Import Inventory

Section 673 will require the Secretary of Agriculture, in consultation with the Secretary of Commerce, the International Trade Commission, the U.S. Trade Representative, and any other appropriate Federal agency, to compile and report to the public statistics on the total value and quantity of imported raw and processed agricultural products. Section 673 also will require the Secretary to compile and report to the public data on the total amount of production and consumption of domestically produced raw and processed agricultural products.

Section 673 provides that the reports are to be made in a format that correlates statistics for the quantity and value of imported agricultural products to the production and consumption of domestic agricultural products, and issued on a quarterly basis.

Section 674—Study relating to honey

Section 674 will require the Secretary of Agriculture to conduct a study to determine the effect of imported honey on U.S. honey producers, the availability of honey bee pollination within the United States, and whether imports of honey tend to interfere with or render ineffective the honey price support program of the Department of Agriculture.

Not later than 60 days after the date of enactment of the bill, the Secretary would have to report the results of the study to the Committee on Agriculture and the Committee on Ways and Means of the House of Representatives and to the Committee on Agriculture,

Nutrition, and Forestry and the Committee on Finance of the Senate.

Section 675—Rose study, report, and findings

Section 675 will require the Secretary of Agriculture, in conjunction with the U.S. Trade Representative and not later than 120 days after the date of enactment of the bill, to complete a study to determine the—

- (1) effects of rose imports into the United States on domestic rose-growing industry;
- (2) extent, nature, and estimated value of any foreign subsidies provided to such imports;
- (3) extent and estimated level of any possible dumping of roses into the United States; and
- (4) effects that the European Community's tariff rate for imported roses has on world trade of roses.

The Secretary would be required to report the results of the study, as soon as the study is complete, to the Committee on Agriculture and the Committee on Ways and Means of the House and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

If the Secretary determines, as a result of the study, that the domestic rose industry is being adversely affected by the unfair trade practices of foreign competitors, the Secretary would be urged to use all available remedies, programs, and policies available to the Department of Agriculture to assist the domestic rose industry to maintain and enhance its ability to compete in the domestic and world market for roses.

Section 676—Study of effect of section 22 changes

Section 676 will require the Secretary of Agriculture to conduct a study to determine how and to what extent the reduction or elimination of quotas on the importation of certain dairy products imposed under section 22 of the Agricultural Adjustment Act of 1933, as a result of negotiations on the General Agreement on Tariffs and Trade or a similar negotiation or agreement, might adversely affect the administration of the Federal dairy price support program and cause injury to the U.S. dairy industry.

(Note: Section 22 requires the Secretary, if he has reason to believe that imported articles will render, or tend to render, ineffective or materially interfere with the Federal price support programs, or reduce substantially the domestic use of a price support commodity, to advise the President. If the President believes there is reason for such belief, he must cause the International Trade Commission to investigate. If on the basis of the Commission's investigation, the President finds that the imports are adversely affecting the price support programs or the domestic use of price support commodities, he must impose either an ad valorem duty (not to exceed 50 percent) on the imports or quantitative limits on the entry of the exports into the United States. The quantitative limit could not exceed 50 percent of the average amount of entries during a representative period. Section 22 also contains authority for immediate action by the President in emergency situations.)

Section 677—Imported meat and poultry products

Section 677 will require the Secretary of Agriculture, not later than 90 days after enactment of the bill, to submit a report to Congress—

(1) specifying the planned distribution, in fiscal years 1987 and 1988, of the resources of the Department of Agriculture available for sampling imported meat, poultry, and egg products to ensure compliance with the requirements of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act that govern the level of residues of pesticides, drugs, and other products permitted in or on the imported meat and poultry products;

(2) describing current methods used by the Department to enforce the requirements of the Acts respecting the level of residues of pesticides, drugs, and other products, permitted in or on meat, poultry, and eggs;

* (3) that responds to the audit report of the Inspector General of the Department of Agriculture, dated January 14, 1987;

(4) providing a summary with respect to the importation of meat and poultry products during fiscal years 1986 and 1987 that specifies (a) the number of samples of each of the products taken during each fiscal year in carrying out the residue requirements of such Acts, and (b) for each violation of the requirements during the fiscal year, the meat or poultry product involved in the violation, the residue in or on the product in violation, the country exporting the product, the actions taken in response to the violations and the reasons for the actions, and the level of testing conducted by the countries exporting the products;

(5) a description of any research conducted by the Secretary to develop improved methods to detect residues subject to the requirements in or on meat and poultry products; and

(6) any recommendations the Secretary considers appropriate for legislation to add or modify penalties for violations of laws, regulations, and other enforcement requirements governing the level of residues that are permitted in or on imported meat and poultry products.

The Secretary would be required, not later than November 15, 1988, to revise the report, if necessary, and submit the revision to Congress.

Section 678—Imported raw agricultural commodities

Section 678, in subsection (a), will require the Secretary of Health and Human Services, not later than 90 days after the date of enactment of the bill, to prepare a plan—

(1) specifying the distribution, in the fiscal year for which the plan is prepared, of the resources of the Food and Drug Administration available for sampling imported raw agricultural commodities to ensure (a) compliance with laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on such commodities, and (b) the timely sharing among Food and Drug Administration districts of data and information relating to violations of the

laws, regulations, and requirements found in each of the districts; and

(2) describing the methods of the Food and Drug Administration will use to improve the enforcement of the laws, regulations, and requirements in the fiscal year for which the plan is prepared.

The Secretary would be required, within 45 days after the date of enactment of the bill, to publish in the Federal Register the proposed plan and a notice requesting public comments on the proposed plan for 30 days beginning on the date the notice is published. The Secretary would be required, not later than 45 days after the end of each fiscal year, to revise the plan (if necessary) taking into account comments submitted in response to the notice. Each plan for a fiscal year must be implemented by the Secretary in that fiscal year.

Section 678, in subsection (b) would require the Secretary, within 45 days after the end of each fiscal year, to prepare a summary related to the importation of raw agricultural commodities specifying—

(1) each type of raw agricultural commodity imported during the fiscal year;

(2) each country exporting each commodity;

(3) the volume of each commodity imported from a country during the fiscal year;

(4) the number of samples of each commodity taken during the fiscal year in carrying out provisions of laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on such commodity; and

(5) for each violation of the laws, regulations, or requirements during the fiscal year, the raw agricultural commodity involved in the violation, each pesticide detected in or on the commodity, the name of the person who imported the commodity, and the country exporting the commodity.

Section 678, in subsection (c), provides that in any case in which a raw agricultural commodity imported from a foreign country is found, during any growing season, to violate provisions of laws, regulations, or other enforcement requirements governing the level of pesticide chemicals permitted in or on such commodity, the Secretary will be required to continue to monitor the compliance of the commodity with the laws, regulations, and requirements by sampling shipments of the commodity imported from the country during the immediately successive growing season.

Section 678, in subsection (d), provides that within 60 days after the end of each fiscal year, the Secretary must prepare and transmit to the Committee on Agriculture, Nutrition, and Forestry, and the Committee on Labor and Human Resources of the Senate and the Committee on Agriculture and the Committee on Energy and Commerce of the House a report on the enforcement during the fiscal year of provisions of laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on imported raw agricultural commodities. Each report must contain—

(1) a copy of the plan required under subsection (a) of section 678;

(2) a copy of the monitoring summary required under subsection (b) of section 678 for the fiscal year;

(3) a description of the violations of the laws, regulations, and requirements that occurred during the fiscal year, the actions taken in response to the violations, and the reasons for the actions;

(4) a description of any research conducted by the Secretary to develop improved methods to detect residues of pesticide chemicals in or on raw agricultural commodities; and

(5) any recommendations the Secretary considers appropriate for legislation to add or modify penalties for violations of laws, regulations, and other enforcement requirements governing the level of pesticide chemicals permitted in or on imported raw agricultural commodities.

Section 678, in subsection (e), provides that, for the purposes of section 678, the term "raw agricultural commodity" means any food in its raw or natural state, including all fruits that are washed, colored, or otherwise treated in their unpeeled natural form prior to marketing.

Chapter 3—Import Limitations

Section 681—Determining material interference caused by imported tobacco

Section 681 will amend section 22(a) of the Agricultural Adjustment Act to specify that for purposes of any investigation conducted with respect to tobacco, or articles containing tobacco, imported into the United States, the International Trade Commission must take into account the net cost contributions and assessments imposed under sections 106A and 106B of the Agricultural Act of 1949 on tobacco producers in determining whether the imported tobacco or articles materially interfere with the tobacco price support program carried out by the Department of Agriculture.

(Note: See the description of section 676 of the bill, above, for a brief description of the section 22 program.)

Section 682—Tobacco import limitations

Section 682 provides that, notwithstanding any other provision of law, whenever the U.S. Trade Representative finds that a country has imposed a quantitative import limitation or any unfair trade barrier, policy, or practice that acts to restrict imports of U.S. grown tobacco, the U.S. Trade Representative will be required to impose a reciprocal import limitation against that country. The reciprocal limitation, when combined with any other quantitative import limitations in effect with respect to the import of tobacco from the country, must equal the total or quantitative import limitations imposed by that country against U.S. tobacco. The use of transshipments of tobacco to avoid the requirements of section 602 is prohibited and subject to penalty as otherwise provide in law.

Section 683—Amendments to the Meat Import Act of 1979

Section 683, in subsection (a), will make a number of amendments to the Meat Import Act of 1979 to make lamb subject to the countercyclical quota provisions of that Act. Currently, the Act

covers beef, veal, goat meat, and meat of sheep (excluding lamb). Subsection (a) of section 683 will provide coverage under the Act for lamb, not as part of the quota under current law, but by establishing a separate quota system for lamb.

Specifically, section 683, in paragraph (1) of subsection (a), will amend subsection (b) of the Meat Import Act of 1979 by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), and by adding a new paragraph (2) defining the term "lamb articles" to mean the articles provided for in the Tariff Schedules of the United States under 106.30 (relating to fresh, chilled, or frozen meat of lambs).

Paragraph (2) of subsection (a) will amend subsection (e) of the Meat Import Act of 1979 so that it would require, for each calendar year, the Secretary of Agriculture to estimate and publish, before the first day of the calendar year, the aggregate quantity of lamb articles prescribed for that calendar year under subsection (j) as adjusted under subsection (k).

(Note: Paragraph (7) of subsection (a), described below, will add new subsections (j) and (k) to the Act.)

Paragraph (2) of subsection (a) also will amend subsection (e) so that it would require, for each calendar year, the Secretary to estimate and publish, before the first day of each calendar quarter in the calendar year, the aggregate quantity of lamb articles that (but for the Meat Import Act of 1979) would be entered during the calendar year.

Paragraph (3) of subsection (a) will amend subsection (f)(1) of the Meat Import Act of 1979 to provide that if, with respect to lamb articles, the aggregate quantity estimated before any calendar quarter by the Secretary under subsection (e) (as amended under paragraph (2)) is 110 percent or more of the aggregate quantity estimated by him under such subsection, and if there is no limitation in effect for the calendar year with respect to lamb articles, the President must by proclamation limit the total quantity of lamb articles that can be entered during the calendar year to the aggregate quantity estimated for the calendar year by the Secretary under subsection (e). However, no such limitation could be less than 30,000,000 pounds of lamb articles.

Paragraph (3) of subsection (a) also will amend subsection (f)(1) so that it will provide that if, with respect to lamb articles, the aggregate estimated before any calendar quarter by the Secretary under subsection (e) is less than 110 percent of the aggregate quantity estimated by him under subsection (e), and if a limitation is in effect under subsection (f)(1) for lamb articles, such limitation would cease to apply as of the first day of such calendar quarter.

Paragraph (4) of subsection (a) will amend subsection (g) of the Meat Import Act of 1979 so that it would provide that the President, after providing opportunity for public comment (by giving 30 days notice by publication in the Federal Register of his intention to so act), could suspend any proclamation limiting lamb article imports under subsection (f), or increase the total quantity proclaimed under subsection (f), if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic lamb industry;

(2) the supply of lamb articles will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements ensure that the policy set forth in new subsections (j) and (k), to be added by paragraph (7) of subsection (a), will be carried out.

Paragraph (5) of subsection (a) will amend subsection (h) of the Meat Import Act of 1979 so that it would provide that the total quantity of lamb articles that may be entered during any calendar year could not be increased by the President if the fraction described in new subsection (k) (to be added by paragraph (7) of subsection (b)) for that calendar year yields a quotient of less than 1.0, unless—

(1) during a period of national emergency declared under section 201 of the National Emergencies Act of 1976, he determines and proclaims that such action is required by overriding national security interest of the United States;

(2) he determines and proclaims that the supply of articles of the kind to which the limitation would otherwise apply will be inadequate, because of a natural disaster, disease, or major national market disruption, to meet domestic demand at reasonable prices; or

(3) on the basis of actual data for the first two quarters of the calendar year, a revised calculation of the fraction described in new subsection (k) for the calendar year would yield a quotient of 1.0 or more.

Paragraph (6) of subsection (a) will amend subsection (i) of the Meat Import Act of 1979 so that it would provide that the Secretary must allocate the total quantity proclaimed under subsection (f)(1) of such Act and any increase in such quantity provided for under subsection (g) of such Act among supplying countries on the basis of the shares of the U.S. market for lamb articles such countries supplied during a representative period. Due account could be given to special factors that have affected or could affect the trade in lamb articles. The Secretary would certify such allocations to the Secretary of the Treasury.

Paragraph (7) of subsection (a) will amend the Meat Import Act of 1979 by redesignating subsections (j), (k), (l) as subsections (l), (m), and (n), respectively, and insert new subsections (j) and (k).

New subsection (j) would provide that the aggregate quantity of lamb articles that may be entered into the customs territory of the United States in any calendar year could not exceed 24,360,000 pounds, except that this aggregate quantity must be—

(1) increased or decreased for any calendar year by the same percentage that the estimated average annual domestic commercial production of lamb articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of lamb articles during calendar years 1981 through 1986; and

(2) adjusted further under proposed new subsection (k).

New subsection (k) would provide that the aggregate quantity referred to in new subsection (j) must be adjusted for any calendar year by multiplying such quantity by a fraction—

(1) the numerator of which is the average annual per capita production of domestic meat of lambs during that calendar year (as estimated) and the 4 calendar years preceding such calendar year; and

(2) the denominator of which is the average annual per capita production of meat of lambs in that calendar year (as estimated) and the preceding calendar year.

For the purposes of subsection (k), the phrase "meat of lambs" would be defined to mean that portion of the total domestic sheep slaughter designated by the Secretary as lamb slaughter.

Paragraph (8) of subsection (a) will amend the Meat Import Act of 1979 by adding at the end of the Act a new subsection (o).

New subsection (o) would require the Secretary to conduct a study to determine whether a disproportionate quantity of meat of lambs is entered quarterly into the United States. The Secretary must submit to the Committee on Ways and Means of the House and the Committee on Finance of the Senate a report specifying the results of the study not later than June 1, 1988, or 180 days after the effective date of subsection (o), whichever occurs later.

Section 683, in subsection (b), provides that the amendments made by subsection (a) could not apply with respect to any calendar year, or to meat articles entered in any calendar year, beginning before the date of the enactment of the bill.

Section 684—Quantitative restrictions on imported milk protein products

Section 684, in subsection (a), provides that for the purposes of the section the term "milk protein products" means casein, caseinates, lactalbumin, whey protein concentrates, or mixtures containing not less than 5 percent of any such product.

Section 684, in subsection (b), provides that to ensure that the quantities of milk protein products imported into the United States will not render ineffective, or materially interfere with, price support operations undertaken under the Agricultural Act of 1949, the President by proclamation must limit the quantity of milk protein products that may be imported in any calendar year (or portion of a calendar year in the case of the calendar year in which the bill is enacted) beginning on the day after enactment of the bill. The President must limit such imports to a quantity equal to 50 percent of the average annual quantity of milk protein products that was imported during calendar years 1981 through 1985 (or, in the case of the portion of a calendar year, a proportionately lesser quantity). Any such proclamation would be considered to be a proclamation that is issued by the President under section 22 of the Agricultural Adjustment Act and that meets the requirements of that section.

(Note: See the description of section 676 of the bill, above, for a brief description of the section 22 program.)

Section 684, in subsection (c), states that in implementing quantitative restrictions proclaimed under subsection (b), the Secretary of Agriculture must establish an import licensing system for foreign milk protein products under which—

(1) first preference would be given to those importers or users who establish that their importation or use of such prod-

ucts is for purposes for which no substitutes for such products are available;

(2) second preference would be given to those importers or users who establish that their importation or use of such products is for purposes for which domestically produced skim milk or skim milk solids cannot be substituted; and

(3) third preference would be given to importers or users with respect to whom no preference under items (1) and (2) applies.

Section 685—Imports containing agricultural products subject to quantitative limitation

Section 685 provides that importation into the United States of merchandise that contains over 25 percent by weight of an agricultural product the imports of which are subject to a quantitative limitation imposed under authority of either section 22 of the Agricultural Adjustment Act of 1933 or a headnote to the Tariff Schedules of the United States (except a quantitative limitation previously imposed solely under authority of section 685) would itself be subject to quantitative limitation. The new limitation on imports would equal the quantity of the merchandise imported, as determined (or, when necessary, estimated) by the President during a representative period, as determined by the President, before the imposition of the limitation under section 22 or a headnote.

Such new limitations must be imposed within 60 days after the date of enactment of the bill for existing limitations under section 22 or a headnote, and within 60 days after a quota under section 22 or a headnote is imposed after the date of enactment of the bill.

The authority of the President or others under section 22 or other laws to impose quotas on imports of merchandise containing an agricultural product subject to quantitative limitation under section 22 or a headnote would not be affected by this new limitation system.

Section 685 also provides that the President could adjust or waive any such new quantitative limitations for any period if the President determines and reports to Congress that, for the period, adjustment or waiver is necessary because otherwise the limitation would be contrary to the national economic interest.

(Note: See the description of section 676 of the bill, above, which contains a brief explanation of the section 22 program.)

SUBTITLE G—TRADE POLICY FORMULATION AND IMPLEMENTATION

It is the understanding of the Committee that the provisions of H.R. 3 regarding the treatment of processed agricultural commodities under the trade laws cannot be applied with mathematical precision. In making its determinations under these provisions, the International Trade Commission should focus on the facts of each case and not interpret these provisions in such a narrow fashion as to prevent the inclusion in the domestic industry of the domestic producers or growers of the raw agricultural products who may be adversely affected by the imports of the processed agricultural product under investigation. This position is consistent with past congressional intent relating to the interpretations of the "like

product" definition in the trade laws. It was stated by the Senate Finance Committee "... that the definition of 'like' product (not) be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation". S. Rep. No. 96-249, 9th Cong., 1st Sess. at 90-91 (1979).

The special nature of agricultural industries has been recognized previously by Congress. It is the understanding of the Committee that the Commission will focus on those economic factors that may indicate the appropriateness of including both the producers or growers of the raw agricultural product and the producers of the processed agricultural product as part of the domestic industry in determining the actual effect of subsidized or less-than-fair value imports. Further, in deciding who to include within the scope of the domestic industry, the Commission should avoid a narrow interpretation of this subparagraph that may obscure commercial realities. Because of the unique nature of agricultural production and processing, the Commission should strive to exercise its discretion in a manner that is consonant with marketplace realities.

The Committee recognizes the importance of this provision to producers or growers of agricultural products as a means of achieving the remedial purposes of the law. In past investigations, the Commission may have improperly excluded from the domestic industry certain producers of raw agricultural products who may have been adversely affected by imports of the processed agricultural product subject to investigation. It is the Committee's understanding that this provision should not be construed in a manner that would preclude the possibility of appropriate sectors of U.S. agriculture from obtaining relief from unfairly traded imports of processed agricultural products.

Section 691—Sense of Congress—agricultural export enhancement if first priority of United States trade policy

Section 691 will express the sense of Congress that Congress, the President, the Departments of Defense, Agriculture, State, Commerce, and the U.S. Trade Representative should sign a Memorandum of Understanding stating that the first priority of U.S. trade policy is the enhancement of agricultural exports.

Section 692—Representation at negotiations relating to agricultural trade agreements

Section 692 will amend section 161 of the trade Act of 1974 (which contains provisions for congressional delegations to trade negotiations) by adding a new subsection (c).

New subsection (c) would provide that at the beginning of each regular session of Congress, the Speaker of the House must select, on the recommendation of the Chairman of the Committee on Agriculture, members of the committee for accreditation as official advisors to U.S. delegations to negotiations for agricultural trade agreements; and the President pro tempore of the Senate must select, on the recommendation of the Chairman of the Committee on Agriculture, Nutrition, and Forestry, members of the committee for similar accreditation.

The U.S. Trade Representative would be required to keep such official advisers currently informed on U.S. negotiating objectives,

the status of negotiations in progress, and the nature of any changes in domestic law or the administration thereof that may be recommended to Congress to carry out any agricultural trade agreement or any requirements of, amendment to, or recommendation under the agreement.

Section 693—Sense of Congress—investigations of Canadian agricultural subsidies

Section 693 contains proposed findings of Congress that—

(1) the United States and Canada are signatories to the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII (the Subsidies Code) of the General Agreement on Tariffs and Trade;

(2) the Subsidies code provides that a countervailing duty cannot be imposed unless there is injury within the meaning of article VI of the General Agreement, as interpreted by the Subsidies Code, and a causal link is established between the allegedly subsidized imports and the alleged injury;

(3) global production and stagnant demand have led to a major oversupply of corn and depressed worldwide prices for corn;

(4) the oversupply of corn cannot be attributed to the actions of the United States, which since 1982 has imposed major acreage reductions in an effort to control production;

(5) between 1982 and 1985, the United States idled 44 million acres of corn acreage that would have produced 110 million tons of corn

(6) between 1982 and 1985, the United States, while acting to limit its production, has witnessed a decline in corn exports of 30 million tons or nearly 50 percent;

(7) U.S. exports of corn to Canada peaked in the 1980-1981 marketing year, when United States corn exports to Canada totalled 1,363,500 tons and accounted for 22.5 percent of the Canadian market;

(8) U.S. exports of corn to Canada have been declining sharply since 1981, falling to 822,200 tons in the 1982-1983 marketing year, then declining to 225,900 tons in the 1983-1984 marketing year, and 300,000 tons in the 1985-1986 marketing year;

(9) the share of the Canadian corn market held by the United States has been steadily declining from 22.5 percent in the 1980-1981 marketing year to 11.22 percent in 1982-1983 marketing year, 3.94 percent in the 1983-1984 marketing year, and 4.42 percent in the 1985-1986 marketing year;

(10) Canadian corn industry production has steadily expanded from 4,753,200 tons in the 1980-1981 marketing year to 7,393,400 tons in the 1985-1986 marketing year;

(11) Canadian corn exports rose from 180,300 tons in the 1976-1977 marketing year to a peak of 1,134,000 tons in the 1981-1982 marketing year, then dipped slightly before reaching 650,000 tons in the 1985-1986 marketing year;

(12) there appears to be no causal link between imports of corn from the United States and injury to the Canadian corn industry;

(13) the Canadian Import Tribunal has ruled that the Canadian corn industry has been injured by U.S. agricultural programs and has approved a tariff of 84.9 cents per bushel on U.S. exports of corn to Canada;

(14) the decision of the Canadian Import Tribunal appears to be arbitrary, capricious, and an abuse of discretion, and to be inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade; and

(15) The President has broad authority under section 301 of the Trade Act of 1974 to retaliate against foreign acts, policies, or practices that are inconsistent with the provisions of any trade agreement to which the United States is a party or that are unjustifiable, discriminatory, or unreasonable and burden or restrict U.S. commerce, including authority to impose duties or other import restrictions on the products of such country, or to direct the Secretary of Commerce to initiate a countervailing duty investigation under section 701 of the Tariff Act of 1930.

Section 693 also contains a proposed sense of Congress that the U.S. Trade Representative should—

(1) immediately initiate an investigation to determine whether the ruling of the Canadian Import Tribunal is inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade;

(2) publish in the Federal Register the determination made as a result of such investigation within 30 days after the date of enactment of the bill; and

(3) if the U.S. Trade Representative determines that such ruling by the Canadian Import Tribunal is unjustifiable or inconsistent with the obligations of Canada under the General Agreement on Tariffs and Trade—

(A) initiate an investigation under section 302(c) of the Trade Act of 1974, which should be conducted on an expedited basis, and

(B) make recommendations to the President regarding the investigation initiated under section 302(c) of such Act within 60 days after the date on which the investigation is initiated.

Section 694—Sense of Congress—European Community fats and oils tax

Section 694 contains proposed findings of Congress that—

(1) in 1962 the United States negotiated duty-free bindings for oilseeds and oilmeals in the European Community;

(2) The European Community is our most important market for soybeans, representing about 45 percent of total U.S. soybean exports;

(3) in the recently concluded negotiations under the General Agreement on Tariffs and Trade, the European Community agreed to restore the duty-free bindings for oilseeds and meals and extend them to Spain and Portugal;

(4) the Commission of the European Community now has proposed the establishment of a consumption tax on vegetable

and marine fats and oils in conjunction with the setting of farm prices for the 1987-88 marketing year in the Community;

(5) this tax would amount to almost 90 percent of the current price of soybean oil;

(6) this tax would have a significant restrictive effect on U.S. exports of oilseed and products, in particular on soybeans, to the European Community.

(7) the implementation of this tax would be blatantly inconsistent with the obligations of the European Community under the General Agreement on Tariffs and Trade;

(8) the Commission's proposal would constitute an attempt to impose the cost of the Common Agricultural Policy on the European Community's trading partners;

(9) the United States has strenuously opposed similar proposals by the European Community in the past;

(10) this measure would affect the livelihood of over 500,000 farmers in the United States, and well as many more in developing countries; and

(11) the United States has consistently maintained the position that any attempt by the European Community to impose a tax on fats and oils would invite strong and immediate countermeasures.

Section 694 also will express the sense of Congress that—

(1) the Administration should vigorously oppose the establishment of a tax on vegetable and marine fats and oils in the European Community;

(2) the Administration should continue in its efforts to ensure that such a tax is not established; and

(3) the Administration should communicate to the European Community the message that the United States will view the establishment of such a tax as inconsistent with the European Community's obligations under the General Agreement on Tariffs and Trade that will result in the adoption of strong and immediate countermeasures.

Section 695—Sense of Congress—action in response to foreign import restrictions on United States citrus fruits and beef products

Section 695 contains proposed findings of Congress that—

(1) trade partners of the United States are engaging in unreasonable, unjustifiable, and discriminatory acts, policies, and practices, including the use of import quotas, that tend effectively to prohibit or unreasonable burden U.S. exports of oranges, grapefruit, and other citrus fruits and fresh, chilled, and frozen beef and other beef products; and

(2) such acts, policies, and practices deny access to such markets for U.S. producers of such exports, reduce agricultural exports and farm income, and contribute to the U.S. trade deficit and the Federal budget deficit.

Section 695 also will express the sense of Congress that if a country is found to engage, in violation of the General Agreement on Tariffs and Trade, in any such acts, policies, and practices against any such U.S. exports, the President should take steps (including the imposition of import fees and duties) that will result in the exclusion of the importation of similar or other products from such

country found to be in violation of the General Agreement on Tariffs and Trade into the United States until such acts, policies, and practices are eliminated.

SUBTITLE H—FOREIGN ASSISTANCE PROGRAMS

Section 696—United States goods and services

Section 696 would amend chapter 4 of part II of the Foreign Assistance Act of 1961 (relating to the Economic Support Fund) by adding a new section 536.

New section 536, in subsection (a), would require the President to provide assistance under chapter 4 to a country through commodity import programs in lieu of a cash transfer, unless the President determines that the needs of that country and the interests of the United States would be better met by a cash transfer rather than by commodity import programs involving the purchase of U.S. agricultural commodities and products or other U.S. goods and services.

New section 536, in subsection (b), would provide that assistance could be provided to a country under chapter 4 as a cash transfer only under an agreement requiring that the country use the cash transfer, insofar as practicable, to purchase U.S. agricultural commodities or products or other U.S. goods and services to the extent the country imports from other suppliers such commodities, products, goods, or services that are comparable to U.S. commodities, products, goods, or services and that are available in or from the United States at reasonable comparable prices. U.S. goods purchased with cash transfers would be deemed to have been furnished by the United States without provision for reimbursement within the meaning of section 901(b)(1) of the Merchant Marine Act, 1936. (The effect of such provision would be to make the cargo preference requirement under the Merchant Marine Act, under which at least one-half of the amount of certain foreign shipments must be transported on U.S. vessels, applicable to such U.S. goods.) However, the provisions of section 901b(a)(1) of the Merchant Act, 1936 will not apply thereto. (The effect of such provision would exclude such shipments from being subject to the cargo preference provisions of the Merchant Marine Act requiring the shipment of an additional 25 percent of goods on U.S. vessels.)

New section 536, in subsection (c), in the case of an cash transfer under chapter 4 would authorize the Comptroller General to monitor and audit the expenditure by the recipient country of the cash transferred. Each agreement under subsection (b) of new section 536 would have to include provisions to ensure that representatives or designees of the Comptroller General will have access to records and personnel necessary to carry out the monitoring and auditing.

New section 536, in subsection (d), provides that, for the purposes of section 536, the term "United States agricultural commodities and products or other United States goods and services" means commodities grown or processed in the United States, other goods processed or manufactured in the United States, and services available from persons having their principal place of business in the United States.

COMMITTEE CONSIDERATION

H.R. 3, AS INTRODUCED

The major provisions of H.R. 3 (the Trade and International Economic Policy Reform Act of 1987), as introduced and referred to the Committee, include the following:

Section 601 states that the purpose of subtitle A of title VI is to increase the effectiveness of the Department of Agriculture by reorganizing and strengthening the operations of the Department of Agriculture in (1) agricultural trade policy formulation and implementation, and (2) assisting U.S. agricultural producers to participate in international agricultural trade.

Section 602 would designate the Department of Agriculture to have the primary responsibility within the Federal Government with respect to all matters concerning agricultural trade and agricultural trade policy.

Section 603 would require the Secretary of Agriculture to consult with appropriate officials to coordinate the actions and programs of other agencies affecting agricultural trade policy with the programs of the Department of Agriculture and with the agricultural trade policy of the United States.

Section 604 would reorganize the Department of Agriculture by requiring the President to appoint in the Department of Agriculture two new under secretaries of agriculture and two additional assistant secretaries of agriculture to assume, among other things, the duties currently performed by the Under Secretary for International Affairs and Commodity Programs.

Section 605 would make the new under secretaries of agriculture executive level III positions and increase the number of assistant secretaries of agriculture that are authorized as executive level IV positions.

Section 606 would reorganize the Foreign Agricultural Service by transferring to it the International Economics Division of the Economic Research Service and the World Agriculture Outlook Board and establishing within it a commodity division.

Section 607 would establish an Office of the General Sales Manager within the Department of Agriculture with responsibility for export sales, market development, agricultural trade offices, and titles I and III of Public Law 480.

Section 608 would establish an office to monitor and study trade practices carried out by other countries to promote the export of agricultural products and submit reports of its findings to the Secretary.

Section 609 would establish an office within the Department of Agriculture to provide assistance to U.S. victims of unfair trade practices.

Section 610 would require the Secretary of Agriculture to provide technical assistance in trade negotiations to the Trade Representative.

Section 611 would require the Secretary of Agriculture to prepare for each fiscal year a long-term agricultural trade strategy report establishing recommended policy and spending goals for U.S. agricultural trade and exports for one-year, five-year, and ten-

year periods, and establish an office of agricultural trade policy planning and evaluation to prepare the reports.

Section 612 provides that it will be the policy of the United States to develop markets for agricultural products by more effectively using food aid and agriculturally-related foreign economic assistance programs.

Section 613 would require the Secretary of Agriculture to report annually to Congress (after consultation with the Administrator of the Agency for International Development) on the extent that food aid and agriculturally-related foreign economic assistance programs of the previous year serve direct market development objectives for U.S. agricultural commodities and products.

Section 614 would require the Secretary of Agriculture to establish an office of food aid policy to develop, in cooperation with the office of agricultural trade policy planning and evaluation, a comprehensive strategy for coordinating agriculturally-related foreign assistance, food aid, and market development objectives for U.S. agricultural products, and monitor the compliance of food aid programs and policies of Federal agencies and related entities with the market development objectives of the Department of Agriculture.

Section 615 would authorize the Secretary of Agriculture to make commodities owned by the Commodity Credit Corporation available to cooperator organizations for use in projects designed to expand markets for U.S. agricultural commodities and products.

Section 617 would make any new spending authority created by section 605 of the bill effective only to the extent provided for in advance in appropriation Acts.

Section 618 would amend the export enhancement program such that priority would be given to purchasers who continue or begin to purchase U.S. agricultural commodities or products on an annual basis in quantities equal to or greater than the level of purchases in a previous representative period. The Secretary would be required to submit to Congress a current list of countries provided agricultural products under the export enhancement program and a justification for participation in the program.

Section 619 would express the sense of Congress that the Secretary of Agriculture should expedite the implementation of the sections of the Food Security Act of 1985 relating to the barter of agricultural commodities, and states that Congress recognizes the importance of barter programs in expanding agricultural trade, and emphasizes this importance to the Secretary.

Section 631 would require the Secretary of Agriculture to conduct a study to determine the effect of imported honey on United States honey producers and on the availability of honey bee pollination within the United States, and whether imports of honey tend to interfere with or render ineffective the honey price support program.

Section 632 would require the Secretary of Agriculture, in conjunction with the U.S. Trade Representative, to conduct a study to determine the effect of rose imports on the domestic rose industry.

Section 633 would add a new provision to section 22 of the Agricultural Adjustment Act to require the International Trade Commission to take into account no net cost contributions and assessments on tobacco producers in determining whether the imported

tobacco or articles containing tobacco materially interfere with the tobacco price support program.

Section 634 would require the Secretary of Agriculture, in consultation with the Secretary of Commerce, U.S. Trade Representative, and any other appropriate Federal agency, to compile and report to the public statistics on the total value and quantity of imported raw and processed agricultural products and data on the total amount of production and consumption of domestically produced raw and processed agricultural products.

Section 635 would (1) make the findings that trade partners of the United States are engaging in policies and practices that effectively prohibit U.S. exports of citrus fruits and beef products, and such policies and practices contribute to the U.S. trade deficit and the Federal budget deficit, and (2) express the sense of Congress that the President should take certain retaliatory steps if a country is found to engage in any such acts, policies, or practices against any such United States exports.

Section 651 would provide that milk produced by dairies owned or controlled by foreign persons and financed with industrial revenue bonds would be treated as other-source milk, and would be allocated as milk received from producer-handlers for the purposes of classifying producer milk.

Section 652 would amend the United States Grain Standards Act to protect the quality of export grain by prohibiting (1) the recombination of dockage or foreign material, and (2) blending of grain of different moisture contents.

Section 653 would make findings of Congress relating to the terms under which Spain and Portugal joined the European Community in January of 1986 and express the sense of Congress opposing the European Community's actions.

Provisions in other titles of H.R. 3 concerning agriculture, and that the Committee had under consideration, provide the following:

Section 121 would revise the Trade Act of 1974 and provide procedures and authorities for expedited handling of cases filed by the perishable agricultural commodity industry to obtain temporary relief from injurious increased import competition.

Section 152 would declare as a U.S. trade negotiating objective more open and fair conditions of trade in agricultural commodities by developing, strengthening, and clarifying rules to discipline restrictive and trade-distorting import and export practices and eliminating and reducing constraints to fair and open trade.

Section 314 would establish an agricultural trade policy that—

- (1) provides agricultural commodities and the products thereof for export at competitive prices,

- (2) supports the principle of free trade and the promotion of fair trade in agricultural commodities and products,

- (3) supports the principal trade negotiating objectives of the bill to eliminate or reduce substantially constraints to fair and open trade in agricultural commodities and products;

- (4) uses statutory authority to counter aggressively unfair foreign trade practices; and

- (5) provides for increased representation of U.S. agricultural trade interests in the formulation of national fiscal and monetary policy affecting trade.

Section 314 would amend Public Law 480 to allow the use of title I proceeds for export market development of U.S. wood and wood products and the proceeds of sales for foreign currencies to be used for the construction of low-income and medium-income housing.

Section 314 includes provisions to improve the market development activities of the Department of Agriculture and would extend the National Commission on Agricultural Trade and Export Policy 30 days.

Section 315 would authorize appropriations for the Secretary of Agriculture to conduct research to enhance the long-term competitiveness in world markets of U.S. agricultural commodities and products and would require the Secretary to monitor and report annually to Congress on foreign research and trade practices that promote the export of agricultural commodities and products.

Section 427 would require the President to arrange for acquisitions of petroleum from debtor developing countries through the barter of surplus agricultural commodities.

Section 554 would require studies to be performed concerning trade and employment and require the Secretary of Labor to develop and report, in coordination with the Secretary of Agriculture, statistical data relating to permanent dislocation of farmers and ranchers due to farm and ranch failures.

SUBCOMMITTEE HEARINGS

On Wednesday, March 4, 1987, the Subcommittee on Livestock, Dairy, and Poultry conducted a public hearing on current and proposed U.S. trade policies and their effect on the competitiveness of the domestic livestock, dairy, poultry, and honey industries. Testimony was received from Byron L. Dorgan, Member of Congress from North Dakota, Hal Daub, Member of Congress from Nebraska, Harley O. Staggers, Member of Congress from West Virginia, Ms. Suzanne Early, Assistant United States Trade Representative for Agriculture, Dr. Leo V. Mayer, Associate Administrator of the Foreign Agricultural Service, United States Department of Agriculture, and other representatives of producer and trade associations.

The Subcommittee first received testimony from Ms. Suzanne Early, representing the U.S. Trade Representative. Ms. Early stated that modifications to the existing waiver under the General Agreement on Tariffs and Trade for section 22 of the Agricultural Adjustment Act would be under consideration at the new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade, in Uruguay. Mr. James Camerlo, President of National Milk Producers Federation, later testified that section 22 allows certain restrictions to be imposed on the importation of products that materially interfere with the operation of domestic agricultural programs. In addition, Mr. Camerlo stated that import quotas are applied to most imported dairy products under section 22 because unlimited dairy imports would soon destroy the domestic dairy price support program. Members of the Subcommittee expressed concern about any relaxation of section 22 quotas on imported dairy products.

The Subcommittee then received testimony from Mr. Irvin Elkin, President of Associated Milk Producers, Inc. Mr. Elkin indicated

that, despite evidence supplied in several investigations and studies by the International Trade Commission, and the Department of Agriculture, imports of casein are causing steadily increasing interference with the domestic dairy price support program. Mr. Elkin said that section 22 import quotas have not been enforced in recent years with respect to casein. Data submitted to the Subcommittee at the hearing by Mr. Elkin indicated that casein imports have more than doubled from 112 million pounds in 1976 to 229 million pounds in 1986.

Mr. Tom Cook, Director of Industry Affairs for the National Cattlemen's Association, testified that, in August 1984, Japan and the United States signed a four-year beef agreement that provides for an annual increase of 6,900 metric tons of beef imports, and includes a provision for the immediate and meaningful liberalization of its market for trade in beef from the United States, and that the current beef agreement expires on March 31, 1988. Mr. Cook testified that the Republic of Korea has banned high quality U.S. beef imports since May 1985. Members of the Subcommittee expressed a desire for the U.S. Trade Representative to enter into negotiations to gain greater access to the Japanese and Korean market for U.S. beef producers.

Mr. Manley Molpus, President of the American Meat Institute, testified that on April 30, 1987, the European Community will place into force its third country directive. Mr. Molpus testified and submitted information that the directive would require U.S. meat-packers wishing to ship products to the European Community to conform to unnecessary and unreasonable restrictions related to their plants and packing operations. Mr. Molpus stated that unless companies are able to undertake a commitment to make the required changes as of April 29, 1987, they will be ineligible to ship meat and meat products to the Community. The Subcommittee was urged by Mr. Molpus to encourage the U.S. Trade Representative and the Department of Agriculture to take a strong position with Community officials to prevent the unjustifiable restriction of United States meat exports to the Community.

Dr. John Schnittker, President of Schnittker and Associates, brought to the attention of the Subcommittee the importance of the implications of the United States—Canadian Free Trade Agreement. The negotiations must produce results by October 1987, for approval by Congress early in 1988, or fail, unless the negotiating time is extended by Congress, Mr. Schnittker said. The witnesses also said that the Canadian government would like to remove United States-Canadian trade from the purview of U.S. domestic trade statutes that protect domestic producers from injurious and unfairly traded imports.

Testimony and background material was submitted to the Subcommittee by Mr. Bill Pfluger, President of the National Wool Growers, indicating that total lamb and mutton imports into the United States for 1986 were 36 million pounds: The highest in the decade and near double the 1984 level. Mr. Pfluger said that total lamb imports could reach 45 million pounds in 1987, or about 16 percent of U.S. lamb production. Mr. Pfluger urged the Subcommittee to propose amendments to the Meat Import Act to provide a

countercyclical approach for restricting lamb imports comparable to the current protection provided for beef, veal, mutton, and goat.

The Subcommittee received testimony from Mr. Troy Fore, representing the American Beekeeping Federation. Mr. Fore said that the domestic honey industry is pleased with the performance of the market-loan honey program, as provided for in the Food Security Act of 1985, because it has been a useful tool in helping them become more competitive in global markets. Members of the Subcommittee expressed concern over information that a reduction of over 1 million colonies of U.S. honey bees during the last five years has occurred due to an increase in the amount of honey imports. Mr. Fore also testified that another trade policy problem that will adversely affect the domestic beekeeping industry and the domestic honey price support program is Canada's unilateral 1986 ban on queen and package bee shipments from the United States to the eastern provinces of Canada. Subcommittee Members expressed concern about the threat to the domestic honey industry, and the increased budget outlays that could result from such a trade policy.

II

The Subcommittee on Forests, Family Farms, and Energy held a public hearing on March 11, 1987, to consider wood products trade issues. Written testimony was received from Don Bonker, Member of Congress from the State of Washington. Other witnesses at the hearing included the Mr. Tom Kay, Administrator of the Foreign Agricultural Service, Department of Agriculture, representatives of private industries, State foresters, and other interested persons.

Several witnesses agreed that the Foreign Agricultural Service is currently providing assistance to the export of U.S. wood and wood products. However, these witnesses also testified that a clarification is necessary because wood products are often excluded from the Department's agricultural export credit programs. The witnesses pointed out that the funds for the Department's short-term export credit program (GSM-102) are not fully used, so that room exists for additional credits for wood products without diminishing the amount of guarantees for other commodities.

Witnesses pointed out that, in addition to explicit authority to include wood products in the export credit programs, there is a need for an explicit definition of eligible wood products in law. Some witnesses expressed support for provisions in H.R. 3, to include wood products in the local currencies provisions of Public Law 480.

Testimony was also received on the national marketing initiative plan developed by the Forest Service and the National Association of State Foresters. Witnesses representing the National Association and others endorsed this plan, to be funded through the Forest Service State and private forestry budget.

III

The Subcommittee on Department Operations, Research, and Foreign Agriculture held two days of oversight hearing on the agricultural trade and food aid programs under the jurisdiction of the Department of Agriculture and the Agency for international Development.

The first day of hearings was held on March 17, 1987, to hear from various witnesses from the Federal Government. The Subcommittee heard from Glenn English, a Member of Congress from Oklahoma and Chairman of the House Committee on Government Operation's Subcommittee on Government Information, Justice, and Agriculture. Congressman English reported that the Subcommittee on Government Information, Justice, and Agriculture recently had held public hearings on agricultural trade issues and he reported on these hearings to the Subcommittee. The Subcommittee also heard from Doug Bereuter, a Member of Congress from Nebraska, on his views of the performance of Federal agricultural export programs.

Following these witnesses, the Subcommittee heard from Mr. Tom Kay, Administrator of the Foreign Agriculture Service. The Subcommittee examined the performance of the agricultural trade programs administered by the Department of Agriculture. Next, Mr. Walter Bollinger, Acting Assistant Administrator of the Food Aid and Voluntary Organizations Bureau at the Agency for International Development described the performance of food aid programs and their effect on our agricultural trade situation.

The final witness was Mr. Allan Mendelowitz, Senior Associate Director for National Security and International Affairs Division of the General Accounting Office. The General Accounting Office had been conducting three studies on food aid for the Subcommittee over the last year and Mr. Mendelowitz reported on these studies to the Subcommittee. The studies examined the export enhancement program, the foreign market cooperator program, and the effect of long-term bilateral grain agreements and countertrade on agricultural trade.

The following day, March 18, 1987, the Subcommittee held joint hearing with the Subcommittee on Wheat, Soybeans, and Feed Grains to hear from foreign market development cooperators involved in exports of wheat, soybeans, and feed grains. Mr. Winston Wilson of United States Wheat Associates, Mr. Dave Haggard of the American Soybeans Association, and Mr. Allan Terharr of the United States Feed Grains Council reported on their activities in agricultural trade. They also responded to the General Accounting Office report on the cooperator program, taking issue with some of its findings.

As representatives of three of the private-sector organizations involved with the Department of Agriculture's foreign market development cooperator program, each of the witnesses addressed themselves to the need to ensure a continuing Federal commitment to the program. All three indicated that the program requires sustained efforts to ensure the maintenance of existing markets as well as the development of possible new sales opportunities.

In making specific recommendations to the Subcommittees, Mr. Wilson's said that one of the major problems hurting agricultural export activities has been a lack of adequate personnel and funding to administer the cooperator program. The witnesses stressed the need to restore the funding of the Foreign Agricultural Service to its 1986 levels, which would require a congressional increase in the President's proposed budget of \$14.4 million to bring total FAS spending to \$100 million. This increase would ensure adequate FAS

personnel to oversee and cooperate with the work of the private sector organizations, Mr. Wilson said.

FULL COMMITTEE HEARING

The Committee on Agriculture conducted a public hearing in Washington, D.C., on March 31, 1987, to gather testimony concerning agricultural provisions of H.R. 3, the Trade and International Economic Policy Reform Act of 1987.

The first witnesses were Ambassador Clayton Yeutter, United States Trade Representative, and Richard E. Lyng, Secretary of Agriculture, who was accompanied by Daniel Amstutz, the Under Secretary for International Affairs and Commodity Programs.

Ambassador Yeutter testified in opposition to the provision in H.R. 3 that would make the Department of Agriculture the lead agency for all matters concerning agricultural trade policy, noting that the provision will frustrate the intent of Congress and the President under the Trade Agreements Act of 1979 to place all trade policy matters within the jurisdiction of one Federal agency. He opposed the expansion of the agricultural export enhancement program to all purchasers of U.S. agricultural commodities because such a policy would adopt an export subsidy philosophy that is inconsistent with Administration policies and could result in nonsubsidizing competitors adopting similar programs that would further complicate the negotiations during the Uruguay Round on the General Agreement on Tariffs and Trade.

Ambassador Yeutter testified that amending Section 22 of the Agricultural Adjustment Act would jeopardize the waiver currently in effect in the General Agreement on Tariffs and Trade and would not improve our competitiveness, nor contribute to rationalizing the world trading environment. He testified that the problems in agriculture were the result of expansive Government support programs and protectionism and that the goal of the United States in the Uruguay Round is to negotiate worldwide reductions in government subsidized agriculture programs.

Secretary Lyng testified in support of Ambassador Yeutter and opposed the reorganization provisions in H.R. 3 because they were unnecessary or redundant of programs already being administered by the United States Department of Agriculture.

He stressed the importance of agricultural exports to our overall economy and stated that agricultural trade was particularly vulnerable to protectionist actions because self-sufficiency in food is a priority of countries worldwide. He testified that agricultural production slowly adjusts to fluctuations in demand and that the world community has failed to establish workable rules for agricultural trade.

He testified that for U.S. agriculture to reach its full export potential, there must be fairness in the world market and the Administration's objective is to negotiate rules under the General Agreement on Tariffs and Trade that will ensure that all countries compete fairly for the world's trade. He testified that the United States is committed to free trade by negotiating in the Uruguay Round: (1) commitments from countries to apply no new import barriers and eliminate existing nontariff barriers, such as food, plant, and

animal health regulations that restrict trade, by a scheduled date; (2) freezes in current subsidies with a phase-out to zero by a scheduled date; and (3) improvements in the dispute settlement procedures of the General Agreement on Tariffs and Trade.

Bob Smith, a Member of Congress from Oregon and a member of the Committee, testified that he would propose an amendment to H.R. 3 that would amend the Meat Import Act of 1979 to add lamb to the list of meat products already covered in the Act and curtail continuing increases in lamb imports. He testified that increased numbers of live feeder lambs are being imported into the U.S. this year that would severely affect domestic lamb prices and farm income.

Terry Bruce, a Member of Congress from Illinois, stressed the importance of agricultural exports to the U.S. balance of trade, noting that historically the overall U.S. trade deficit has been reduced because of the positive annual balance of trade in agricultural products. He supported section 652 of H.R. 3 concerning the quality of export grain and the report of the National Commission on Agricultural Trade and Export Policy that recommended that the United States place more emphasis on value-added trade, that the United States target market growth potential in third world countries, and that the United States fully use existing programs to expand markets for U.S. agricultural commodities and products.

Beryl Anthony, Jr., a Member of Congress from Arkansas, testified in his capacity as a past member of the National Commission on Agricultural Trade and Export Policy and urged the Committee to give favorable consideration to the Commission's recommendations provided in its July 1986 report to the President and Congress, particularly with respect to the emphasis on long-term foreign market development and improved internal Government coordination of agricultural trade policy. He testified that in agricultural trade the United States competes against governments that have been much more active in promoting new markets and that the Foreign Agriculture Service of the Department of Agriculture needs revamping because of reductions in staff-years, increases in mandates and responsibilities, and no increases in funding to keep pace with the additional responsibilities.

Hal Daub, a Member of Congress from Nebraska, testified that some of the provisions of H.R. 3, endorsed by the Committee on Ways and Means would adversely affect U.S. agricultural exports. He particularly opposed the recommended changes to section 201 and section 301 of the Trade Act of 1974, but supported the provision that would authorize continuing negotiations in the General Agreement on Tariffs and Trade Uruguay Round.

Allen Mendelowitz, Senior Associate Director of the National Security and International Affairs Division of the General Accounting Office, testified in opposition to the reorganization of the Department of Agriculture, as recommended by the National Commission on Agricultural Trade and Export Policy, because the existing agency trade structure could implement their recommendations. He supported the Commission's recommendations concerning: (1) the establishment of an Office of Agricultural Trade Policy Planning and Evaluation and an Office of Food Aid Policy within the Department of Agriculture, (2) the improved management of export

promotion and foreign market development of export programs, (3) increased emphasis on new markets and value-added commodities, (4) increased funding for trade shows, and (5) additional personnel.

Malcolm Harding, President of the Central Bank for Cooperatives in Colorado, endorsed H.R. 1298, the Agricultural Trade Financing Act of 1987, as an amendment to H.R. 3. He testified that this legislation would strike the September 30, 1990, sunset provision relating to the authority for the banks for cooperatives to finance agricultural trade for the benefit of U.S. farmer-owned cooperatives. He testified that this legislation was necessary because the sunset provision decreased the bank's effectiveness in the international arena because of its inability to develop long-term marketing, planning, and staffing programs. He testified that the Central Bank for Cooperatives has operated for five years without an international loan loss.

Claibourne Crain, testifying on behalf of Orville Freeman, Mr. Carl Schwensen of the National Association of Wheat Growers, Mr. LaVern A. Freeh of Land O'Lakes, Inc., and Ms. Peggy Sheehan of the National Cooperative Business Association testified in support of H.R. 1809, the Agricultural Aid and Trade Mission Act, as an amendment to H.R. 3.

Mr. Crain supported H.R. 1809 because it proposed a multiple approach to agricultural trade including humanitarian food relief, economic development, and commercial market building.

Mr. Schwensen supported Committee action in the following areas: Expansion of the agricultural export enhancement program, as contained in H.R. 3; increased systematic linkage of aid and trade as proposed in H.R. 1809; increased resources for the Foreign Agricultural Service; greater use of Department of Agriculture authority to finance infrastructure projects in developing countries; and consideration of the implications of on-going U.S.-Canadian free trade negotiations.

Mr. Freeh testified that modifications in the export enhancement program are needed to allow more flexibility in the type of commodities to be used to meet the needs of foreign customers and in the timing of shipments of bonus commodities and in the original sale of commodities.

Ms. Sheehan testified that current administrative guidelines for monetization under section 416 and Public Law 480 title II programs severely limit the types of programs nonprofit voluntary organizations and cooperatives may initiate (such as cooperative, agricultural, credit, and other development projects) while noting that section 416 commodities provided to foreign governments as compensation for reduced sugar quotas may be sold and the proceeds used at the governments' discretion.

Mr. George Sorn, the Executive Vice President and General Manager of the Florida Fruit and Vegetable Association, and Mr. George Uribe, the Executive Vice President of the West Mexico Vegetable Distribution Association, testified in support of H.R. 1778, the Safe Food Import Act of 1987. Mr. Sorn testified that the amount of foreign produce being shipped into the United States is increasing and that the U.S. consumer generally does not know the origin of the product. He informed the Committee that General Accounting Office reports show that imported fresh fruits and vegeta-

bles have a threefold greater occurrence of illegal chemicals than domestic produce and that the General Accounting Office for the last ten years has repeatedly urged increased inspection of imported foods. Mr. Uribe testified that there is a need for increased testing on imported foods and urged establishment of a Food and Drug Administration residue testing laboratory in Nogales because of the quantity of the Mexican fresh winter produce that is imported through there.

Mr. Scott Shotwell from the National Forest Products Association, and Mr. David Rogaway from the American Plywood Association, testified on the effects of the Department of Agriculture's export financing programs on the forestry industry. They testified that the industry has been using the Department of Agriculture's GSM-102 and GSM-103 credit programs, however problems have surfaced concerning (1) the definition of processed wood products as manufactured or agricultural products; and (2) whether export credit guarantees for longer than 60 days may be termed an export subsidy under the General Agreement on Tariffs and Trade. They testified that Congress had specifically mandated the use of market development programs for forest products, and estimated that the forest products industry has lost approximately \$21 million in exports as a result of the denial of GSM-102 and GSM-103 participation.

They testified in support of a amendment to H.R. 3, that would classify wood and wood products as agricultural products and eligible for short-term and medium-term export guarantee credit programs and that encourages countries receiving food aid to use the money generated from the sale of these commodities to purchase wood products from the United States. They also testified in support of an amendment that would provide technical assistance to the States, nonindustrial land owners, and forest product firms to promote and establish more markets for wood products.

COMMITTEE MARKUP

The Committee on Agriculture met, pursuant to notice, on April 1, 1987, to consider H.R. 3, the Trade and International Economic Policy and Reform Act of 1987.

Chairman de la Garza called the meeting to order and recognized Mr. Jones of Tennessee to offer an amendment.

Mr. Jones explained that his amendment would strike provisions in the Farm Credit Act that sunset the authority for the Farm Credit System's banks for cooperatives to finance international trade transactions involving United States agricultural cooperatives. Mr. Jones explained, that under current law, financing authority for the banks for cooperatives would terminate in 1990 and that the extension would involve no Federal outlays. Mr. Stenholm spoke in support of the amendment and stated that testimony received during earlier hearings had shown the success of the program and the need for its extension. After further discussion, the Jones amendment was agreed to by voice vote.

Mr. Glickman was recognized to offer several amendments. He explained that the first amendment would amend section 1127 of the Food Security Act of 1985 to (1) extend funding provisions for

the agricultural export enhancement program from 1988 to 1990, and (2) increase the ceiling of the value of commodities used in the export enhancement program from \$1.5 billion to \$2.5 billion. He stated that the Secretary of Agriculture had testified during an earlier hearing in support of the amendment. The Committee agreed to the amendment by voice vote.

Mr. Glickman explained that his second amendment would amend section 615 of H.R. 3 to provide that commodities made available to agricultural export cooperators would be in addition to, and not in lieu of, funds appropriated for market development activities by agricultural export cooperators. He stated that witnesses testified in support of the amendment at a joint hearing by the Subcommittee on Wheat, Soybeans, and Feed Grains and the Subcommittee on Department Operations, Research, and Foreign Agriculture. The Committee agreed to the amendment by voice vote.

Mr. Glickman explained that his third amendment would amend section 1127 of the Food Security Act of 1985 to require that the commodities disbursed under the export enhancement program would be valued at their market price at the time of disbursement rather than their acquisition value. He stated that, although there is a potential cost to the amendment, Secretary Lyng had not expressed opposition to it during the trade hearing. Mr. Goldberg, representing the Department of Agriculture, was recognized and stated that the Department was considering taking the same action, but had made no final decision. Mr. Madigan asked Mr. Glickman if the value of the commodities at acquisition would be higher than their value at disbursement. Mr. Glickman responded yes, and Mr. Madigan voiced his support for the amendment. The Committee agreed to the amendment by voice vote.

Mr. Glickman offered two amendments en bloc to provide (1) that it is the sense of Congress that the U.S. Trade Representative should investigate the Canadian Import Tribunal's decision to place a tariff of 84.9 cents per bushel on U.S. exports of corn to Canada to determine if it violates the General Agreement on Tariffs and Trade; and (2) that it is the sense of Congress that the Administration should oppose the proposal by the European Community for the establishment of a consumption tax on vegetable and marine fats and oils. Mr. Madigan spoke in support of both amendments. The Committee agreed to the amendments by voice vote.

Mr. Rose offered three amendments en bloc that would provide the following: (1) on a finding by the U.S. Trade Representative that a country imposes an import restriction on United States-grown tobacco, a similar reciprocal import restriction must be imposed on that country; (2) require the Secretary of Agriculture to biannually report to Congress on all import restrictions on agricultural products imposed by foreign governments; and (3) amend the Tobacco Adjustment Act of 1983 to require all U.S. exporters of tobacco or tobacco products before exportation to file a report with the Secretary of Agriculture that specifies the amount of foreign-grown tobacco in the exported product. The Committee agreed to the amendments by voice vote.

Mr. Rose offered an amendment to impose restrictions under section 22 of the Agricultural Adjustment Act on milk protein products, such as casein, and limit the quantity that may be imported

to a quantity equal to 50 percent of the average annual quantity imported between January 1, 1981, and December 1, 1985. Mr. Madigan and Mr. Glickman expressed concern that this import restriction might affect countries with whom the United States has a favorable trade balance. Mr. Gunderson explained that 45 to 50 percent of imported casein comes from New Zealand and enters the country classified as an industrial use product even though 80 percent is used in food or feed. After further discussion, the Committee agreed to the amendment by voice vote.

Mr. English offered five amendments en bloc that would: (1) require the Secretary of Agriculture to negotiate with major grain producing nations on an agreement to reduce world-wide grain production and report to Congress on the progress of the negotiations by March 1, 1988; (2) authorize the President to enter into joint development assistance agreements under which positive-trade-balance nations may buy U.S. agricultural products to donate to developing countries; (3) require recipients of food aid, under Department of Agriculture assistance agreements, to give preference to U.S. food products in future food purchases; (4) express the sense of Congress that one-third of foreign economic assistance funds be used for food assistance; and (5) strike out sections in H.R. 3 that would reorganize the Department of Agriculture.

Chairman de la Garza offered a perfecting amendment to the fifth noted English amendment, to require the Secretary of Agriculture to conduct a study of the reorganization proposals and report to Congress; authorize new appropriations and increased personnel for the Foreign Agriculture Service; express the sense of Congress in support of the agricultural export cooperator program; and express the sense of Congress that land grant colleges and universities should encourage education in international marketing of agricultural products. The Committee agreed to Chairman de la Garza's perfecting amendment and the English amendments, as perfected by the Chairman's amendment, by voice vote.

Mr. Jeffords offered an amendment that would require the Secretary of Agriculture to adjust the five billion pounds of milk equivalent purchases needed to trigger the 50-cent reduction in milk price support to reflect the amount of excess casein imports and the amount of dairy product sold directly from commercial stocks under the dairy export incentive program. Mr. Olin expressed his opposition to the amendment because the milk price support program enacted in the Food Security Act of 1985 was successful and the alteration is not adequately justified. After further discussion, the Committee agreed to the amendment by voice vote.

Mr. Johnson offered three amendments en bloc that would: (1) express the sense of Congress that the U.S. Trade Representative should negotiate with Japan to gain increased access for U.S. beef and, if such negotiations fail, to use all available means, including retaliation, to gain access; (2) express the sense of Congress that the U.S. Trade Representative should negotiate with Korea to gain increased access for U.S. beef and, if such negotiations fail, to use all available means, including retaliation, to gain access; and (3) require the Secretary of Agriculture to conduct a study concerning the Canadian Wheat Board's import licensing program and report

its findings to Congress. After discussion, the Committee agreed to the amendments by voice vote.

Mr. Madigan offered two amendments en bloc that would: (1) amend section 1127 of the Food Security Act of 1985 to authorize the Secretary of Agriculture to give priority under the export enhancement program to foreign purchasers who purchase United States agricultural commodities at levels equal to their traditional level of purchases; and (2) amend section 1124 of the Food Security Act of 1985 to require the Secretary of Agriculture to use targeted export assistance (TEA) funds to assist agricultural cooperators in defending any countervailing duty action in foreign countries. The Committee agreed to the amendments by voice vote.

Mr. Marlenee offered three amendments en bloc that would: (1) amend section 1127 of the Food Security Act of 1985 to prohibit the inclusion of the cost of commodities used in the export enhancement program as expenditures or budget outlays for purposes of the Budget Act; (2) amend section 1203 of the Agriculture and Food Act of 1981 to authorize the Secretary of Agriculture to facilitate exports of price-supported commodities through the subsidized sales of CCC stocks; and (3) amend the Foreign Assistance Act of 1961 to require countries receiving foreign assistance in the form of cash transfers to purchase comparable U.S. agricultural products to the extent they are available. The Committee agreed to the amendments by voice vote.

Mr. Volkmer and Mr. Morrison offered an amendment that would amend Public Law 480 to clarify that wood and wood products are eligible for title I sales and to authorize construction of low-income and medium-income housing projects under the private enterprise promotion program; amend section 1125 of the Food Security Act of 1985 to allow the Commodity Credit Corporation to finance wood and wood products sales; and establish a cooperative forest products marketing program in the Department of Agriculture. After discussion, the Committee agreed to the amendment by voice vote.

Mr. Gunderson offered an amendment that would amend the Trade Act of 1974 to authorize the Chairman of the House Agriculture Committee and the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry to select Committee Members to serve as advisors to the Trade Representative during international trade conferences. The Committee agreed to the amendment by voice vote.

Mr. Gunderson offered an amendment that would require the Secretary of Agriculture to conduct a study to determine the effect of removing the restrictions imposed on dairy product imports under section 22 of the Agricultural Adjustment Act of 1933 and the extent that removal of these section 22 protections would have on the Federal dairy price support program. The Committee agreed to the amendment by voice vote.

Mr. Panetta offered an amendment that would require the Secretary of Agriculture and the Secretary of Health and Human Services to report to Congress on the inspection of agricultural products and the incidence of violations resulting from residue levels of pesticides, drugs, or other products. He explained that this would help identify food import inspection problems and allow the Department

of Agriculture and the Food and Drug Administration to recommend needed changes in the inspection programs. After discussion, the Committee agreed to the amendment by voice vote.

Mr. Lewis offered an amendment that would amend the Federal Meat Inspection Act to require country-of-origin labeling on meat food products. Mr. Panetta expressed his opposition to the amendment because of the costs to grocers that would result from a mandatory labeling requirement. Mr. Stenholm informed the Committee that this requirement is currently under study by the Government Accounting Office. After further discussion, the Committee agreed to the amendment by voice vote.

Mr. Stangeland offered an amendment that would subject to import restrictions, under section 22 of the Agricultural Adjustment Act of 1933 or the Tariff Schedules of the United States, imports that contain over 25 percent of a restricted agricultural product by weight. He explained that this would not affect imports that contain several agricultural products that only cumulatively are 25 percent of the import by weight, and that it would not affect foreign trade zones. After discussion, the Committee agreed to the amendment by voice vote.

Mr. Panetta offered an amendment that would amend the Agricultural Adjustment Act to allow the Secretary of Agriculture to establish an effective date for certain prohibitions with respect to imported agricultural commodities under the marketing order program that is earlier than the date a domestic marketing order takes effect as needed to prevent inappropriate importation of substandard commodities. Mr. Lewis offered an amendment to the Panetta amendment that would authorize paid advertising for Florida-grown strawberries under marketing orders. After discussion, the Committee agreed to the Lewis addition to the Panetta amendment and the Panetta amendment, as amended by Mr. Lewis, by voice vote.

Mr. Panetta offered an amendment that would: require the Secretary of Agriculture to establish agricultural aid and trade missions to 15 low-income and middle-income countries to develop country-by-country strategies for economic and market development; amend Public Law 480 and section 416(b) of the Agricultural Act of 1949 to allow nonprofit voluntary organizations and cooperatives to use local currencies generated from the sale or barter of food aid products in implementing foreign development projects; increase the annual minimum tonnage under section 416(b) for grains and oilseeds from 500,000 to 800,000 metric tons and for dairy products from 150,000 to 200,000 metric tons; encourage the President to approve requests for multiyear agreements under the Food and Progress program; require the Secretary of Agriculture to report on agricultural export credit and other trade assistance programs; and authorize Public Law 480 program self-help measures to promote conservation and study of biological diversity. Mr. Panetta amended this amendment to subject any outlays made as a result of the increase in metric tonnage to approval in advance in an appropriation Act. After discussion, the Committee agreed to the amendment as amended by voice vote.

Mr. Smith offered an amendment that would amend the Meat Import Act of 1979 to subject lamb imports to the countercyclical

meat import quota. He explained that legislation concerning meat import quotas enacted in the past was done when there was little importation of lamb. Mr. Smith said that because lamb imports have increased, there is now a need to subject lamb imports to the countercyclical import quota system. After further discussion, the Committee agreed to the amendment by voice vote.

Mr. Smith offered three amendments en bloc that would: (1) express the sense of Congress that the first priority of U.S. trade policy should be the enhancement of agricultural exports; (2) express the sense of Congress that the President should approve the sale of wheat to the Soviet Union under the agricultural export enhancement program; and (3) express the sense of Congress that the Secretary of Agriculture should expand agricultural export assistance programs. The Committee agreed to the amendments by voice vote.

Mr. Panetta offered an amendment that would require the Secretary of Agriculture, in conjunction with the U.S. Trade Representative, to conduct a study to determine the effect of rose imports on the domestic rose industry, and on a finding that the domestic rose industry is adversely affected, require the Secretary to use all remedies available. The Committee agreed to the amendment by voice vote.

Mr. Glickman moved to strike from the bill section 652 concerning grain quality and section 653 concerning the accession of Spain and Portugal to the European Economic Community. The motion was agreed to by voice vote.

The Committee then agreed by voice vote in the presence of a quorum to report H.R. 3, as amended, to the House with the recommendation that the bill do pass.

ADMINISTRATION POSITION

At the time of the filing of this report, the Committee had not received a report from the U.S. Department of Agriculture concerning title VI of H.R. 3, the Trade and International Economic Policy Reform Act of 1987, as amended.

BUDGET ACT COMPLIANCE (Section 308 AND SECTION 403)

The provisions of clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, or new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 6, 1987.

Hon. E DE LA GARZA,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed Title VI of H.R. 3, the Trade and International Economic Policy Reform Act of 1987. Our estimate of the costs of that title is shown in the attached tables under two different sets of assumptions. Table 1 shows the costs as estimated consistent with the assumptions underlying the First Budget Resolution for fiscal year 1987. Table 2 shows the costs estimated on a more current basis, reflecting current information on program activities.

Enactment of this bill would not affect the budgets of state or local governments.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,
Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

TABLE 1.—ESTIMATED COSTS CONSISTENT WITH THE ASSUMPTIONS UNDERLYING THE FIRST BUDGET RESOLUTION FOR FISCAL YEAR 1987

[By fiscal year, in millions of dollars]

	1987	1988	1989	1990	1991	1992
DIRECT SPENDING						
Modify the Export Enhancement Program (section 622):						
Estimated budget authority.....	40	6	43	43	1	.....
Estimated outlays.....	40	6	43	43	1	.....
Aid and trade missions—from CCC funds (sections 633 and 638):						
Estimated budget authority.....	(¹)	(¹)	.....	.....	.....	.....
Estimated outlays.....	(¹)	(¹)	.....	.....	.....	.....
Total Direct Spending:						
Estimated budget authority.....	40	6	43	43	1	.....
Estimated outlays.....	40	6	43	43	1	.....
AUTHORIZATIONS						
Increase minimum commodity donations (Section 649):						
Estimated authorization level.....	15	45	40	35	30	25
Estimated outlays.....	15	45	40	35	30	25
Require the Secretary of Agriculture to conduct studies (various sections):						
Estimated authorization level.....	1	1	1	1	1	1
Estimated outlays.....	1	1	1	1	1	1
Increase appropriations to the Foreign Agriculture Service (section 603):						
Estimated authorization level.....	23	28	33	33	.....	.....
Estimated outlays.....	13	19	28	31	17	8
Forestry cooperation Marketing (section 653):						
Authorization level.....	.....	.....	5	5	5	.....
Estimated outlays.....	.....	.....	4	5	5	1
Total authorizations:						
Estimated authorization level.....	38	73	78	73	36	26
Estimated outlays.....	29	65	73	72	53	35
Total costs:						
Estimated budget authority/authorization level.....	78	79	121	116	37	26
AUTHORIZATIONS						
Estimated outlays.....	69	71	116	115	54	35

TABLE 2.—ESTIMATED COSTS BASED ON CURRENT INFORMATION ON PROGRAM ACTIVITIES

(By fiscal year, in millions of dollars)

	1987	1988	1989	1990	1991	1992
DIRECT SPENDING						
Modify the Export Enhancement Program (section 622):						
Estimated budget authority	40	186	164	129	-44	.....
Estimated outlays.....	40	186	164	129	-44	.....
Aid and Trade Missions—from CCC funds (sections 633 and 638):						
Estimated budget authority	(¹)	(¹)	.....	.....	.....	.....
Estimated outlays.....	(¹)	(¹)	.....	.....	.....	.....
Total Direct Spending:						
Estimated budget authority	40	186	164	129	-44	.....
Estimated outlays.....	40	186	164	129	-44	.....
AUTHORIZATIONS						
Increase minimum commodity donations (section 649):						
Estimated authorization level	15	45	40	35	30	25
Estimated outlays.....	15	45	40	35	30	25
Require the Secretary of Agriculture to conduct studies (various sections):						
Estimated authorization level	1	1	1	1	1	1
Estimated outlays.....	1	1	1	1	1	1
Increase appropriations to the Foreign Agriculture Service (section 603):						
Estimated authorization level	23	28	33	33	.....	.....
Estimated outlays.....	13	19	28	31	17	8
Forestry cooperative marketing, costs are within budget function 300 (section 653):						
Estimated authorization level .....	.....	.....	5	5	5	.....
Estimated outlays.....	.....	.....	4	5	5	1
Total authorizations:						
Estimated authorization level	38	73	78	73	36	26
Estimated outlays.....	29	65	73	72	53	35
Total costs:						
Estimated budget authority authorization level	78	259	242	202	-9	26
Estimated outlays.....	69	251	237	201	9	35

¹ Less than \$500,000.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of Rules XI of the Rules of the House of Representatives, the Committee estimates that enactment title VI of H.R. 3, the Trade and International Economic Policy Reform Act of 1987, as amended, will have no inflationary impact on the national economy.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by title VI of H.R. 3, the Trade and International Economic Policy Reform Act of 1987, as amended.

No specific oversight activities other than the hearings detailed in this report were conducted by the Committee within the definition of clause 2(b)(1) of Rule X of the Rules of the House of Representatives.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ADJUSTMENT ACT

* * * * *

ORDERS

SEC. 8c. (1) * * *

* * * * *

(6) In the case of the agricultural commodities and the products thereof, other than milk and its products, specified in subsection (2) orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7)), no others:

(A) * * *

* * * * *

(I) establishing or providing for the establishment of production research, marketing research and development projects designed to assist, improve, or promote the marketing, distribution, and consumption of efficient production of any such commodity or product, the expense of such projects to be paid from funds collected pursuant to the marketing order: *Provided*, That with respect to orders applicable to almonds, filberts (otherwise known as hazelnuts), California-grown peaches, cherries, papayas, carrots, citrus fruits, onions, Tokay grapes, pears, dates, plums, nectarines, celery, sweet corn, limes, olives, pecans, eggs, avocados, apples, raisins, walnuts, [or tomatoes] *tomatoes, or Florida-grown strawberries*, such projects may provide for any form of marketing promotion including paid advertising and with respect to almonds, filberts (otherwise known as hazelnuts), raisins walnuts, olives, and Florida Indian River grapefruit may provide for crediting the pro rata expense assessment obligations of a handler with all or any portion of his direct expenditures for such marketing promotion including paid advertising as may be authorized by the order and when the handling of any commodity for canning or freezing is regulated, then any such projects may also deal with the commodity or its products in canned or frozen form: *Provided further*, That the inclusion in a Federal marketing order of provisions, for research and marketing promotion, including paid advertising, shall not be deemed to pre-

clude, preempt or supersede any such provisions in any State program covering the same commodity.

* * * * *

SEC. 8e. Notwithstanding any other provision of law, whenever a marketing order issued by the Secretary of Agriculture pursuant to section 8c of this Act contains any terms or conditions regulating the grade, size, quality, or maturity of tomatoes, raisin, olives (other than Spanish-style green olives), prunes, avocados, mangoes, limes, grapefruit, green peppers, Irish potatoes, cucumbers, oranges, onions, walnuts, dates, filberts, table grapes, or eggplants produced in the United States the importation into the United States of any such commodity, other than dates for processing, during the period of time such order is in effect shall be prohibited unless it complies with the grade, size, quality, and maturity provisions of such order or comparable restrictions promulgated hereunder: **[Provided,]** *Provided, That the effective period for such prohibition may be established in advance of the date when such order is in effect if the Secretary finds that, to effectuate the declared policy of this Act, such earlier effective period is needed to prevent the importation into the United States of such commodity that would otherwise fail to meet grade, size, quality, or maturity requirements when the imported commodity is marketed during the period of time that regulations are in effect under the order: Provided further, That this prohibition shall not apply to such commodities when shipped into continental United States from the Commonwealth of Puerto Rico or any Territory or possession of the United States where this Act has force and effect. Provided further, That whenever two or more such marketing orders regulating the same agricultural commodity produced in different areas of the United States are concurrently in effect, the importation into the United States of any such commodity, other than dates for processing, shall be prohibited unless it complies with the grade, size, quality, and maturity provisions of the order which, as determined by the Secretary of Agriculture, regulates the commodity produced in the area with which the imported commodity is in most direct competition. Such prohibition shall not become effective until after the giving of such notice as the Secretary of Agriculture determines reasonable, which shall not be less than three days. In determining the amount of notice that is reasonable in the case of tomatoes the Secretary of Agriculture shall give due consideration to the time required for their transportation and entry into the United States after picking. Whenever the Secretary of Agriculture finds that the application of the restrictions under a marketing order to an imported commodity is not practicable because of variations in characteristics between the domestic and imported commodity he shall establish with respect to the imported commodity, other than dates for processing, such grade, size, quality, and maturity restrictions by varieties, types, or other classifications as he finds will be equivalent or comparable to those imposed upon the domestic commodity under such order. The Secretary of Agriculture may promulgate such rules and regulations as he deems necessary, to carry out the provisions of this section. Any person who violates any provision of this section or of any rule, regulation, or order promulgated here-*

under shall be subject to a forfeiture in the amount prescribed in section 8a(5) or, upon conviction, a penalty in the amount prescribed in section 8c(14) of the Act, or to both such forfeiture and penalty.

* * * * *

SEC. 22. (a) Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify. *For purposes of any investigation conducted with respect to tobacco, or articles containing tobacco, imported into the United States, the Commisison shall take into account contributions and assessments imposed under sections 106A and 106B of the Agricultural Act of 1949 on tobacco producers in determining whether such imported tobacco or articles materially interfere with the tobacco price support program carried out by the Department of Agriculture.*

* * * * *

SECTION 4 OF THE FOOD FOR PEACE ACT OF 1966

SEC. 4. (a) * * *

(b)(1) Export sales of agricultural commodities out of Commodity Credit Corporation and private stocks on credit terms in excess of three years, but not more than ten years, may be financed by the Commodity Credit Corporation. In addition, the corporation may guarantee the repayment of loans made to finance such sales. *For purposes of this subparagraph, the term "agricultural commodities" includes wood and processed wood products, as defined in section 1125(d) of the Food Security Act of 1985.*

* * * * *

SEC. 536. UNITED STATES GOODS AND SERVICES.

(a) **SUPPORT FOR COMMODITY IMPORT PROGRAMS.**—The President shall provide assistance under this chapter to a country through commodity import programs in lieu of a cash transfer, unless the President determines that the needs of that country and the interests of the United States would be better met by a cash transfer rather than by commodity import programs involving the purchase of United States agricultural commodities and products or other United States goods and services.

(b) **USE OF CASH TRANSFERS FOR PURCHASE OF UNITED STATES GOODS AND SERVICES.**—Assistance may be provided to a country under this chapter as a cash transfer only pursuant to an agreement requiring that the country use the cash transfer, insofar as practicable, to purchase United States agricultural commodities or products or other United States goods and services to the extent the country imports from other suppliers such commodities, product, goods, or services that are comparable to United States commodities, products, goods, or services and that are available in or from the United States at reasonably comparable prices. United States goods purchased with cash transfers under this subsection shall be deemed to have been furnished by the United States without provision for reimbursement within the meaning of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)): Provided, That the provisions of section 901(a)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1242f(a)(1)) shall not apply thereto.

(c) **GAO AUDITS.**—In the case of any cash transfer under this chapter, the Comptroller General may monitor and audit the expenditure by the recipient country of the cash transferred. Each agreement under subsection (b) of this section shall include provisions to ensure that representatives or designees of the Comptroller General will have access to records and personnel necessary to carry out the monitoring and auditing required by this subsection.

(d) **DEFINITION.**—For purposes of this section, the term "United States agricultural commodities and products or other United States goods and services" means commodities grown or processed in the United States, other goods processed or manufactured in the United States, and services available from persons having their principal place of business in the United States.

SECTION 1 OF THE FEDERAL MEAT INSPECTION ACT

SECTION 1. As used in this Act, except as otherwise specified, the following terms shall have the meanings stated below:

(a) * * *

* * * * *

(n) The term "misbranded" shall apply to any carcass, part thereof, meat or meat food product under one or more of the following circumstances:

(1) * * *

* * * * *

(11) If it bears or contains any artificial flavoring, artificial coloring, or chemical preservative, unless it bears labeling

stated that fact: *Provided, That, to the extent that compliance with the requirements of this subparagraph (11) is impracticable, exemptions shall be established by regulations promulgated by the Secretary; [or]*

(12) If it fails to bear, directly thereon or on its container, as the Secretary may by regulations prescribe, the inspection legend and, unrestricted by any of the foregoing, such other information as the Secretary may require in such regulations to assure that it will not have false or misleading labeling and that the public will be informed of the manner of handling required to maintain the article in a wholesome condition[.]; or

(13) *if the labeling or other official mark on meat or a meat food product or on the package containing meat or a meat food product fails to indicate the country of origin of any such meat or product that is received, shipped, consigned, sold, or offered for sale.*

* * * * *

SECTION 4.20 OF THE FARM CREDIT ACT OF 1971

SEC. 4.20. TERMINATION OF PROVISIONS.—The provisions of [1] section 2.3 authorizing the Federal intermediate credit banks to lend to or discount paper for other financial institutions [, and (2) section 3.7(b) authorizing the financing of certain domestic or foreign entities in connection with the import or export activities of cooperatives which are borrowers from the banks for cooperatives,] shall expire on September 30, 1990, unless extended by Act of Congress prior to that date. Any contract or agreement entered into under the authority of [either provision] *such provisions, prior to its expiration shall remain in full force and effect notwithstanding such expiration.*

FOOD SECURITY ACT OF 1985

* * * * *

TITLE XI—TRADE

Subtitle A—Public Law 480 and Use of Surplus Commodities in International Programs

* * * * *

FOOD FOR PROGRESS

SEC. 1110.(a) * * *

* * * * *

(k) In carrying out this section, subject to the availability of commodities, the President is encouraged to approve multiyear agreements to make commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of this section.

[(k)] (l) This section shall be effective during the period beginning October 1, 1985, and ending September 30, 1990.

* * * * *

TARGETED EXPORT ASSISTANCE

SEC. 1124. (a) * * *

(b)(1) [Funds] *Except as provided in paragraph (3), funds or commodities made available for use under this section shall be used by the Secretary only to counter or offset the adverse effect on the export of a United States agricultural commodity or the product thereof of a subsidy (as defined in paragraph (2)), import quotas, or other unfair trade practices of a foreign country.*

* * * * *

(3) *Funds or commodities made available for use under this section shall be used by the Secretary to assist organizations consisting of producers or processors of United States agricultural commodities, in such amounts as determined to represent reasonable expenses incurred by them, in defending countervailing duty actions instituted after January 1, 1986, in foreign countries to offset the benefits of the agricultural programs provided for under the Agriculture Act of 1949 or this Act. In no event may such assistance exceed \$500,000 for the defense of any one countervailing duty action.*

* * * * *

SHORT-TERM EXPORT CREDIT

SEC. 1125. (a) * * *

(b) Effective for the fiscal year ending September 30, 1986 and each fiscal year thereafter through the fiscal year ending September 30, 1990, the Commodity Credit Corporation shall make available not less than \$5,000,000,000 in credit guarantees under its export credit guarantee program for short-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, *including wood and processed wood products.*

* * * * *

(d) *For the purposes of this section, the term "wood and processed wood products" includes logs, lumber (boards, timber, millwork, molding, flooring, and siding), veneer, panel products (plywood, particle board, and fiberboard), utility and telephone poles, other poles and posts, railroad ties, wood pulp, and wood chips.*

* * * * *

DEVELOPMENT AND EXPANSION OF MARKETS FOR UNITED STATES AGRICULTURAL COMMODITIES

SEC. 1127. (a) * * *

(b) In carrying out the program established by this section, the Secretary of Agriculture—

(1) * * *

* * * * *

(3) *may, to the extent that agricultural commodities and products thereof are to be provided to foreign purchasers during any fiscal year, give priority to all interested foreign purchasers who—*

(A) have traditionally purchased United States agricultural commodities and the products thereof; and

(B) continue to purchase such commodities and the products thereof on an annual basis in quantities equal to the level of purchases in a previous representatives period;

[(3)] (4) shall encourage increased use and avoid displacing usual marketings of United States agricultural commodities and the products thereof;

[(4)] (5) shall take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, of agricultural commodities or the products thereof the export of which is assisted under this section; [and]

[(5)] (6) may provide to a United States exporter, user, processor, or foreign purchaser, under the program, agricultural commodities of a kind different than the agricultural commodity involved in the transaction for which assistance under this section is being provided[.] ; and

(7) *shall not include (nor shall the Director of the Office of Management and Budget or the Director of the Congressional Budget Office include), for purposes of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 621 et seq.) and the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 et seq.) and commencing with fiscal year 1988, as expenditures or as budget outlays the commodity market effect of the agricultural commodities and products thereof or the generic payment certificates issued by the Commodity Credit Corporation that are used for programs authorized by this section if the commodities and products or value of the commodities and products are used to meet the purposes set forth in subsection (a)(3)(A).*

* * * * *

(i) During the period beginning October 1, 1985, and ending September 30, [1988,] 1990, the Secretary shall use agricultural commodities and the products thereof referred to in subsection (a) to carry out this section, except that the value of the commodities and products may not be less than \$1,000,000,000, nor more than [\$1,500,000,000.] \$2,500,000,000. To the maximum extent practicable, such commodities shall be used in equal amounts during each of the years in such period.

(j) *For the purpose of meeting the requirements of subsection (i), the value of commodities or products distributed under this section shall be determined by using the market value of such commodities or products at the time of distribution.*

* * * * *

SECTION 416 OF THE AGRICULTURAL ACT OF 1949

SEC. 416. (a) * * *

(b)(1) * * *

(2) As used in this subsection, the term "eligible commodities" means—

(A) dairy products, [grains,] *wheat, rice, feed grains*, and oilseeds acquired by the Commodity Credit Corporation through price support operations, *and the products thereof*, that the Secretary determines meet the criteria specified in subsection (a); and

* * * * *

(3)(A) * * *

(D) *If eligible commodities are made available under this subsection to a friendly country, the Secretary shall also provide an opportunity to nonprofit and voluntary agencies and cooperatives to obtain such commodities for food aid programs in that country.*

* * * * *

(4) Agreements may be entered into under this subsection to provide eligible commodities in installments over an extended period of time. *In agreements with recipients of eligible commodities under this subsection (including nonprofit and voluntary agencies or cooperatives), subject to the availability each fiscal year of commodities, the Secretary is encouraged to approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of this subsection.*

* * * * *

(7) Eligible commodities, and products thereof, furnished under this subsection may be sold or bartered only with the approval of the Secretary and solely as follows:

(A) * * *

* * * * *

(D)(i) * * *

* * * * *

[(ii) Foreign currency proceeds generated from the sales of commodities and products under this subparagraph shall be used by nonprofit and voluntary agencies, or cooperatives, for activities carried out by the agency or cooperative that will enhance the effectiveness of transportation, distribution, and use of commodities and products donated under this subsection, including food for work programs and cooperative and agricultural projects.]

(ii) *Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit and voluntary agency or cooperative may be used to—*

(I) *transport, store, or distribute agricultural commodities, to ensure that such commodities reach their final users in usable condition or otherwise enhance the effective-*

ness of the use of commodities donated under this subsection; and

(II) implement income generation, community development, health, nutrition, cooperative development, or agricultural programs, or other developmental activities.

(iii) Except as otherwise provided in clause (v), such agreements, taken together for each fiscal year, shall provide for sales of commodities and products for foreign currency proceeds in amounts that are, in the aggregate, not less than [5] 10 percent of the aggregate value of all commodities and products furnished, *or the minimum tonnage required, whichever is greater*, for carrying out programs of assistance under this subsection in such fiscal year. The minimum allocation requirements of this clause apply with respect to commodities and products made available under this subsection for carrying out programs of assistance under title II of the Agricultural Trade Development and Assistance Act of 1954, and not with respect to commodities and products made available to carry out the Food for Progress Act of 1985.

* * * * *

(8)(A) To the maximum extent practicable, expedited procedures shall be used in the implementation of this subsection.

* * * * *

(C)(i) If a proposal to make eligible commodities available under this subsection is submitted by a nonprofit and voluntary agency or cooperative with the concurrence of the appropriate United States Government field mission or if a proposal to make such commodities available to a nonprofit and voluntary agency or cooperative is submitted by the United States Government field mission, a response to that proposal shall be provided within 45 days following submission of the proposal. The response shall detail the reasons for approval or denial of the proposal. If the proposal is denied, the response shall specify the conditions that would need to be met for the proposal to be approved.

(ii) Not later than 30 days before the issuance of a final guideline issued to carry out this subsection, the Secretary shall—

(I) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that participate in programs under this subsection, and other interested persons, that the proposed guideline is available for review and comment;

(II) make the proposed guideline available, on request, to agencies, cooperatives, and others; and

(III) take any comments received into consideration before the issuance of the final guideline.

* * * * *

(10)(A) Subject to the limitations established under paragraph (3), the Secretary shall make available for disposition under this subsection in each of the fiscal years [1986] 1987 through 1990 not less than the minimum quantities of eligible commodities specified in subparagraph (B).

(B) The minimum quantity of eligible commodities that shall be made available for disposition under this subsection in each fiscal year shall be—

(i) **500,000** 800,000 metric tons of grains and oilseeds from the Corporation's uncommitted stocks, or an amount equal to 10 percent of the Corporation's uncommitted stocks of grains and oilseeds as of the end of such fiscal year (as estimated by the Secretary), whichever is less; and

(ii) 10 percent of the Corporation's uncommitted stocks of dairy products, but not less than **150,000** 200,000 metric tons of such products to the extent that uncommitted stocks are available.

* * * * *

SECTION 1203 OF THE AGRICULTURE AND FOOD ACT OF 1981

SPECIAL STANDBY EXPORT SUBSIDY PROGRAM

SEC. 1203. (a) * * *

* * * * *

(c)(1) Notwithstanding any other provision of law, the Secretary shall take all feasible steps to cause the exportation, at competitive world prices, of basic agricultural commodities produced in the United States. To achieve such goal, the Secretary, if necessary, shall subsidize the price of exporting any basic agricultural commodity that the Secretary may acquire or has acquired under any price support loan program authorized by law. The aggregate value of any subsidy provided under this subsection with respect to such commodity shall not exceed the sum of—

(A) the cost to the Government that would result from acquiring (under price support loan activities) but not selling such commodity, including the costs of transportation, storage, and maintenance of quality incurred in connection with retaining such commodity; and

(B) the increase in tax revenue to the United States arising from the growth in the gross national product that would result from the export sales of such agricultural commodity, as estimated by the Secretary.

(2) For purposes of paragraph (1), the term "basic agricultural commodity" has the meaning given it in section 408(c) of the Agricultural Act of 1949 (7 U.S.C. 1428(c)).

[(c)] (d) The Secretary shall use the Commodity Credit Corporation in carrying out the **[special standby export subsidy program]** programs authorized by this section.

[(d)] Notwithstanding any other provision of this section, the Secretary shall not implement the special standby export subsidy program for cotton.]

* * * * *

SECTION 214 OF THE TOBACCO ADJUSTMENT ACT OF 1983

EXPORTED TOBACCO REPORT

SEC. 214. *Notwithstanding any other provision of law:*

(1) *Before the exportation of any tobacco or tobacco product from the United States, including reexports or transshipments of tobacco and tobacco products and any tobacco or tobacco product entering foreign trade zones in the United States, the exporter shall prepare a certified report and file a copy of such report with the Secretary of Agriculture.*

(2) *Such certified report shall specify, by percent, weight, and type—*

(A) the quantity of tobacco, contained in such tobacco or tobacco product, that was grown in the United States; and

(B) the quantity of foreign grown tobacco contained in such tobacco or tobacco product.

(3) *The Secretary shall use such report to verify—*

(A) tobacco stock reports;

(B) estimates of United States produced or grown tobacco that is exported from the United States, for the purpose of determining tobacco poundage quotas under the Agricultural Adjustment Act of 1938; and

(C) compliance with the requirements of the export credit programs of the Department of Agriculture.

(4) *The Secretary annually shall report to Congress, in the aggregate, the information contained in certified reports under this section and the information contained in end-user reports under section 213(f), as part of each report submitted under section 213(f).*

* * * * *

MEAT IMPORT ACT OF 1979

SEC. 2. (a) This section may be cited as the "Meat Import Act of 1979".

(b) For purposes of this section—

(1) The term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

(2) *The term "lamb articles" means the articles provided for in the Tariff Schedules of the United States under item 106.30 (relating to fresh, chilled, or frozen meat of lambs).*

[(2)] (3) The term "meat articles" means the articles provided for in the Tariff Schedules of the United States (19 U.S.C. 1202) under—

(A) item 106.10 (relating to fresh, chilled, or frozen cattle meat);

(B) items 106.22 and 106.25 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)); and

(C) items 107.55 and 107.62 (relating to prepared and preserved beef and veal (except sausage)), if the articles

are prepared, whether fresh, chilled, or frozen, but not otherwise preserved.

[(3)] (4) The term "Secretary" means the Secretary of Agriculture.

* * * * *

(e) For each calendar year after 1979, the Secretary shall estimate and publish—

(1) before the first day of such calendar year, the aggregate quantity prescribed for such calendar year under subsection (c) as adjusted under subsection (d) *and under subsection (j) as adjusted under subsection (k)*; and

(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of meat articles, *and the aggregate quantity of lamb articles*, which (but for this section) would be entered during such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual entries for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

(f)(1) *If with respect to meat articles or lamb articles*, the aggregate quantity estimated before any calendar quarter by the Secretary under subsection (e)(2) is 110 percent or more of the aggregate quantity estimated by him under subsection (e)(1), and if there is no limitation in effect under this section for such calendar year with respect to meat articles *or lamb articles, as the case may be*, the President shall by proclamation limit the total quantity of meat articles *or lamb articles, respectively*, which may be entered during such calendar year to the aggregate quantity estimated for such calendar year by the Secretary under subsection (e)(1); except that no limitation imposed under this paragraph for any calendar year may be less than 1,250,000,000 pounds *in the case of meat articles or less than 30,000,000 pounds in the case of lamb articles*. The President shall include in the *meat articles* subject to any limit proclaimed under this paragraph any article of meat provided for in item 107.61 of the Tariff Schedules of the United States (relating to high-quality beef specially processed into fancy cuts).

(2) *If with respect to meat articles or lamb articles*, the aggregate quantity estimated before any calendar quarter by the Secretary under subsection (e)(2) is less than 110 percent of the aggregate quantity estimated by him under subsection (e)(1), and if a limitation is in effect under this section for such calendar year with respect to meat articles *or lamb articles, as the case may be*, such limitation shall cease to apply as of the first day of such calendar quarter. If any such limitation has been in effect for the third calendar quarter of any calendar year, then it shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (g).

(g) The President may, after providing opportunity for public comment by giving 30 days' notice by publication in the Federal Register of his intention to so act, suspend any proclamation made under subsection (f), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic cattle industry *or the domestic lamb industry, as the case may be*;

(2) the supply of meat articles *or lamb articles, as the case may be*, will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements entered into after the date of enactment of this Act insure that the policy set forth in subsections (c) [and (d)], (d), (j), and (k) will be carried out.

Any such suspension shall be for such periods, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

(h) Notwithstanding [the previous subsections,] *any other provision of this section*, the total quantity of meat articles *or lamb articles, as the case may be*, which may be entered during any calendar year may not be increased by the President if the fraction described in subsection (d) *or (k), as the case may be*, for that calendar year yields a quotient of less than 1.0, unless—

(1) during a period of national emergency declared under section 201 of the National Emergencies Act of 1976, he determines and proclaims that such action is required by overriding national security interests of the United States;

(2) he determines and proclaims that the supply of articles of the kind to which the limitation would otherwise apply will be inadequate, because of a natural disaster, disease, or major national market disruption, to meet domestic demand at reasonable prices; or

(3) on the basis of actual data for the first two quarters of the calendar year, a revised calculation of the fraction described in subsection (d) *or (k), as the case may be*, for the calendar year yields a quotient of 1.0 or more.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection. The effective period of any such suspension or increase made pursuant to paragraph (1) may not extend beyond the termination, in accordance with the provisions of section 202 of the National Emergencies Act of 1976, of such period of national emergency, notwithstanding the provisions of section 202(a) of that Act.

(i) The Secretary shall allocate the total quantity proclaimed under subsection (f)(1) and any increase in such quantity provided for under subsection (g) among supplying countries on the basis of the shares of the United States market for meat articles *or lamb articles, as the case may be*, such countries supplied during a representative period. Notwithstanding the preceding sentence, due account may be given to special factors which have affected or may affect the trade in meat articles or cattle *or the trade in lamb articles or lambs, as the case may be*. The Secretary shall certify such allocations to the Secretary of the Treasury.

(j) *The aggregate quantity of lamb articles that may be entered in any calendar year may not exceed 24,360,000 pounds, except that this aggregate quantity shall be—*

(1) increased or decreased for any calendar year by the same percentage that the estimated average annual domestic commercial production of lamb articles in that calendar year and the 2 preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of lamb articles during calendar years 1981 through 1986; and

(2) adjusted further under subsection (k).

(k) The aggregate quantity referred to in subsection (j), as increased or decreased under paragraph (1) of such subsection, shall be adjusted further for any calendar year by multiplying such quantity by a fraction—

(1) the numerator of which is the average annual per capita production of domestic meat of lambs during that calendar year (as estimated) and the 4 calendar years preceding such calendar year; and

(2) the denominator of which is the average annual per capita production of meat of lambs in that calendar year (as estimated) and the preceding calendar year.

For the purposes of this subsection, the phrase "meat of lambs" means that portion of the total domestic sheep slaughter designated by the Secretary as lamb slaughter.

[j] *(l) The Secretary shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.*

[k] *(m) All determinations by the President and the Secretary under this section shall be final.*

[l] *(n) The Secretary of Agriculture shall study the regional economic impact of imports of meat articles and report the results of his study, together with any recommendations (including recommendations for legislation, if any) to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate not later than June 30, 1980.*

(o) The Secretary of Agriculture shall conduct a study to determine whether a disproportionate quantity of meat of lambs is entered quarterly into the United States. The Secretary shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report specifying the results of such study not later than June 1, 1988, or 180 days after the effective date of this subsection, whichever occurs later.

SECTION 161 OF THE TRADE ACT OF 1961

CHAPTER 6—CONGRESSIONAL LIAISON AND REPORTS

SEC. 161. CONGRESSIONAL DELEGATES TO NEGOTIATIONS.

(a) * * *

* * * * *

(c)(1) *At the beginning of each regular session of Congress—*

(A) the Speaker of the House of Representatives shall select, on the recommendation of the Chairman of the Committee on

Agriculture, members of such committee for accreditation under paragraph (2); and

(B) the President pro tempore of the Senate shall select, on the recommendation of the Chairman of the Committee on Agriculture, Nutrition, and Forestry, members of such committee for accreditation under paragraph (2).

(2) Members selected under paragraph (1) shall be accredited by the President as additional official advisers to the United States delegations to international conferences, meetings, and negotiations relating to agricultural trade agreements.

(3) The United States Trade Representative shall keep each additional official adviser appointed under this subsection currently informed on United States negotiating objectives, the status of negotiations in progress, and the nature of any changes in domestic law or the administration thereof that may be recommended to Congress to carry out any agricultural trade agreement or any requirement of, amendment to, or recommendation under, such agreement.

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

* * * * *

TITLE I

* * * * *

SEC. 104. Notwithstanding any other provision of law, the President may use or enter into agreements with foreign countries or international organizations to use the foreign currencies, including principal and interest from loan repayments, which accrue in connection with sales for foreign currencies under agreements for such sales entered into prior to January 1, 1972 for one or more of the following purposes:

- (a) For payment of United States obligations (including obligations entered into pursuant to other legislation);
- (b) For carrying out programs of United States Government agencies to—

(1) help develop new markets for United States agricultural commodities (*including wood and processed wood products of the United States*) on a mutually benefiting basis. From sale proceeds and loan repayments under this title not less than the equivalent of 5 per centum of the total sales made each year under this title shall be set aside in the amounts and kinds of foreign currencies specified by the Secretary of Agriculture and made available in advance for use as provided by this paragraph over such period of years as the Secretary of Agriculture determines will most effectively carry out the purpose of this paragraph: *Provided, That the Secretary of Agriculture may release such amounts of the foreign currencies so set aside as he determines cannot be effectively used for agricultural market development purposes under this section, except that no release shall be made until the expiration of thirty days following the date on which notice of such proposed release is transmitted by the President to the Senate Com-*

mittee on Agriculture and Forestry and the Senate Committee on Foreign Relations and to the House Committee on Agriculture and the House Committee on International Relations, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session. Provision shall be made in sale and loan agreements for the convertibility of such amount of the proceeds thereof (not less than 2 per centum) as the Secretary of Agriculture determines to be needed to carry out the purpose of this paragraph in those countries which are or offer reasonable potential of becoming dollar markets for United States agricultural commodities. Such sums shall be converted into the types and kinds of foreign currencies as the Secretary deems necessary to carry out the provisions of this paragraph and such sums shall be deposited to a special Treasury account and shall not be made available or expended except for carrying out the provisions of this paragraph. Notwithstanding any other provision of law, if sufficient foreign currencies for carrying out the purpose of this paragraph in such countries are not otherwise available, the Secretary of Agriculture is authorized and directed to enter into agreements with such countries for the sale of agricultural commodities in such amounts as the Secretary of Agriculture determines to be adequate and for the use of the proceeds to carry out the purpose of this paragraph. In carrying out agricultural market development activities, nonprofit agricultural trade organizations shall be utilized to the maximum extent practicable. The purpose of this paragraph shall include such representation of agricultural industries as may be required during the course of discussions on trade programs relating either to individual commodities or groups of commodities;

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SEC. 108. (a) * * *

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(i) As used in this section and in section 106(b)(4)—

(1) the term "developing country" means a country that is eligible to participate in a sales agreement entered into under this title; [and]

(2) the term "financial intermediary" means a bank, financial institution, cooperative, nonprofit voluntary agency, or other organization or entity, as determined by the President, that has the capability of making and servicing a loan in accordance with this section [.] ; and

(3) the terms "private sector development activity" and "private enterprise investment" include the construction of low -and medium-income housing and shelter.

SEC. 109. (a) Before entering into agreements with developing countries for the sale of United States agricultural commodities on whatever terms, the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help

measures to increase per capita production and improve the means for storage and distribution of agricultural commodities, including:

(1) devoting land resources to the production of needed food rather than to the production of nonfood crops—especially nonfood crops in world surplus;

(10) carrying out voluntary programs to control population growth; [and]

(11) carrying out programs to improve the health of the rural poor, including the immunization of children[.]; and

(12) promoting the conservation and study of biological diversity.

TITLE II

SEC. 206. (a) Except to meet famine or other urgent or extraordinary relief requirements, or for nonemergency programs conducted by nonprofit voluntary agencies or cooperatives, no assistance under this title shall be provided under an agreement permitting generation of foreign currency proceeds unless (1) the country receiving the assistance is undertaking self-help measures in accordance with section 109 of this Act, (2) the specific uses to which the foreign currencies are to be put are set forth in a written agreement between the United States and the recipient country, and (3) such agreement provides that the currencies will be used for (A) alleviating the causes of the need for the assistance in accordance with the purposes and policies specified in section 103 of the Foreign Assistance Act of 1961, (B) programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this title to the neediest individuals in recipient countries. The President shall include information on currencies used in accordance with this section in the reports required under section 408 of this Act and section 657 of the Foreign Assistance Act of 1961, or (C) health programs and projects, including the immunization of children.

(b) Not later than February 15, 1988, and annually thereafter, the President shall report to Congress on sales and barter, and use of foreign currency proceeds, under this section and section 207 during the preceding fiscal year. Such report shall include information on—

(1) the quantity of commodities furnished for such sale or barter;

(2) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in the preceding fiscal year;

(3) how such funds and services were used;

(4) the amount of foreign currency proceeds that were used under agreements under this section and section 207 in such fiscal year, and the percentage of the quantity of all commodities and products furnished under this section and section 207 in the preceding fiscal year such use represented;

(5) the President's best estimate of the amount of foreign currency proceeds that will be used, under agreements under this section and section 207, in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the President estimates will be furnished under this section and section 207 in each such fiscal year;

(6) the effectiveness of such sales, barter, and use during the preceding fiscal year in facilitating the distribution of commodities and products under this section and section 207;

(7) the extent to which such sales, barter, or uses—

(A) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made;

(B) affect usual marketings of the United States;

(C) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries; or

(D) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this title; and

(8) the President's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under this section and section 207.

SEC. 207. (a) A nonprofit voluntary agency or cooperative requesting a nonemergency food assistance agreement under this title shall include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement.

(b) Such agreements shall provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than [5] 10 percent of the aggregate value of the commodities distributed under nonemergency programs under this title for such fiscal year.

(c) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative may be used to—

(1) transport, store, or distribute agricultural commodities, to ensure that such commodities reach their final users in usable condition or otherwise enhance the effectiveness of the use of commodities donated under this title; and

(2) implement income generation, community development, health, nutrition, cooperative development, or agricultural programs, or other developmental activities.

SEC. 208. (a) If a proposal to make agricultural commodities available under this title is submitted by a nonprofit voluntary agency or cooperative with the concurrence of the appropriate United States Government field mission or if a proposal to make agricultural commodities available to a nonprofit voluntary agency or cooperative is submitted by the United States Government field mission, a response to that proposal shall be provided within 45 days following submission of the proposal. The response shall detail the reasons for approval or denial of the proposal. If the proposal is

denied, the response shall specify the conditions that would need to be met for the proposal to be approved.

(b) Not later than 30 days before the issuance of a final guideline issued to carry out this title, the President shall—

(1) provide notice of the proposed guideline to nonprofit voluntary agencies and cooperatives that participate in programs under this title, and other interested persons, that the proposed guideline is available for review and comment;

(2) make the proposed guideline available, on request, to the agencies, cooperatives, and others; and

(3) take any comments received into consideration before the issuance of the final guideline.

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SECTION 1152 OF THE ANTI-DRUG ABUSE ACT OF 1986

SEC. 1152. ASSET FORFEITURE FUNDS.

(a) * * *

[(b) CUSTOMS FORFEITURE FUND.—

[(1) Section 613a of the Tariff Act of 1930 (19 U.S.C. 1613a) as added by Public Law 98-473, is amended—

[(B) by amending paragraph (3) of subsection (a) to read as follows:

[(“(3) for equipping for law enforcement functions any government-owned or leased vessels, vehicles, and aircraft available for official use by the United States Customs Service; and”]; and

[(C) by striking out subsection (h).

[(2) Section 613a of the Tariff Act of 1930 (19 U.S.C. 1613b) as added by Public Law 98-573, is repealed.]]

SECTION 536 OF THE FOREIGN ASSISTANCE ACT OF 1961

SEC. 536. UNITED STATES GOODS AND SERVICES.

(a) SUPPORT FOR COMMODITY IMPORT PROGRAMS.—The President shall provide assistance under this chapter to a country through commodity import programs in lieu of a cash transfer, unless the President determines that the needs of that country and the interests of the United States would be better met by a cash transfer rather than by commodity import programs involving the purchase of United States agricultural commodities and products or other United States goods and services.

(b) USE OF CASH TRANSFERS FOR PURCHASE OF UNITED STATES GOODS AND SERVICES.—Assistance may be provided to a country under this chapter as a cash transfer only under an agreement requiring that the country use the cash transfer, insofar as practicable, to purchase United States agricultural commodities or products or other United States goods and services to the extent the country imports from other suppliers such commodities, products, goods, or services that are comparable to United States commodities, products, goods, or services and that are available in or from the United States at reasonably comparable prices. United States goods so pur-

chased shall be deemed to have been furnished by the United States without provision for reimbursement within the meaning of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)). Section 901(a)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1242f(a)(1)) shall not apply thereto.

(c) GAO AUDITS.—*In the case of any cash transfer under this chapter, the Comptroller General may monitor and audit the expenditure by the recipient country of the cash transferred. Each agreement under subsection (b) of this section shall include provisions to ensure that representatives or designees of the Comptroller General will have access to records and personnel necessary to carry out the monitoring and auditing required by this subsection.*

(d) DEFINITION.—*For purposes of this section, the term 'United States agricultural commodities and products or other United States goods and services' means commodities grown or processed in the United States, other goods processed or manufactured in the United States, and services available from persons having their principal place of business in the United States.*

